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EXECUTIVE SUMMARY

Fundamental and Financial Analysis of Tata Power Company Limited

Tata Power Company Limited, a flagship enterprise of the Tata Group, is one of India's oldest and most prominent integrated power companies. Established in 1915, The company has significantly expanded in both scale and capabilities, establishing operations across the entire power value chain—from generation and transmission to distribution and renewable energy. As India moves toward cleaner energy sources, Tata Power has strategically positioned itself to capitalize on this transition, steadily growing its presence in solar, wind, and hybrid power solutions.

Fundamental Analysis

Tata Power operates in a sector that is essential to economic development and industrial growth. The Indian power sector is undergoing significant transformation driven by policy reforms, privatization of distribution networks, and a shift towards renewable energy. Tata Power has proactively aligned itself with these trends by investing in renewable assets and digital infrastructure.

Business Model and Strategy

Tata Power's business model is diversified, with investments in both conventional and non-conventional energy sources. It has a presence in:

- **Generation**: More than 13 GW of generation capacity, of which over 38% is from clean and renewable sources.
- **Transmission and Distribution**: Serving major metropolitan areas such as Mumbai and Delhi.
- **Renewables**: Rapidly growing solar EPC business and rooftop solar installations across India.

The company's strategic initiatives include transitioning towards green energy, expansion of EV charging infrastructure, and modernization of the distribution grid through digital solutions. These initiatives reflect a forward-looking approach designed to enhance sustainability and profitability.

Industry Position

Tata Power enjoys a competitive edge due to its early-mover advantage in renewables and its strong brand equity under the Tata umbrella. Its vertically integrated operations allow it to control costs and manage supply chain efficiencies effectively. Additionally, regulatory support from the government, including subsidies and incentives for renewable energy, provides a favourable environment for growth.

Financial Analysis

Revenue and Profitability

Over the past five years, Tata Power has exhibited strong financial performance, marked by consistent revenue growth. In FY2023-24, the company recorded consolidated revenue exceeding ₹55,000 crore, reflecting a steady upward trend from previous years. This growth has been largely fuelled by increased contributions from its renewable energy and distribution segments.

Thee EBITDA margins have remained healthy, supported by efficient cost management and operational excellence. However, the profitability has shown some fluctuations due to volatility in coal prices, regulatory challenges, and high debt levels. The company has undertaken strategic deleveraging efforts to manage its financial obligations more prudently.

Return on Equity (ROE) and Efficiency Ratios

Tata Power's ROE for FY2023-24 stood around 10-12%, reflecting moderate returns for shareholders. This metric is expected to improve with the growing share of renewables in the company's asset mix, which typically offer higher margins. The company's asset turnover ratio has also improved, indicating better utilization of its capital base.

Debt Position and Solvency

Tata Power has historically maintained a high debt-to-equity ratio due to its capital-intensive operations. However, in recent years, the company has focused on reducing its debt burden through equity infusion, asset monetization, and refinancing. This has led to an improvement in the interest coverage ratio and a more sustainable capital structure.

Cash Flow and Liquidity

The company has generated strong operating cash flows, enabling it to fund capital expenditures and reduce reliance on external borrowings. Free cash flows have improved, especially with increasing profitability from renewables and steady income from regulated distribution businesses.

Valuation and Intrinsic Value

31 Tata Power's current Price-to-Earnings (P/E) ratio is marginally above the industry average, indicating investor confidence in the company's renewable energy growth prospects. Discounted Cash Flow (DCF) analysis suggests that the stock is trading close to its intrinsic value, with room for potential upside as the company continues to expand its renewable energy capacity. Additionally, strong market sentiment, supported by the company's solid ESG (Environmental, Social, and Governance) performance, has contributed to higher valuation multiples.

Outlook and Investment Potential

The medium- to long-term outlook for Tata Power is highly promising. The company is the green energy transition, digital transformation of distribution networks, and the rise of electric mobility. With strong management, clear strategic direction, and improving financial metrics, Tata Power is poised to deliver sustainable growth and long-term value to its stakeholders

CHAPTER 1

EIC Framework (Economy-Industry-Company)

The EIC framework is a top-down approach used in fundamental analysis to evaluate investments. It consists of three levels of analysis:

1. **Economy Analysis** (Macroeconomic Factors)

2. **Industry Analysis** (Sector-Specific Factors)

3. **Company Analysis** (Firm-Level Factors)

This framework helps investors identify strong companies within growing industries in a favourable economic environment.

1. Economy Analysis (E)

The economic environment impacts all industries and companies. This step analyzes macroeconomic indicators such as:

GDP Growth Rate → Measures overall economic expansion.

Inflation Rate → Affects purchasing power and interest rates.

Interest Rates → Higher rates reduce borrowing & spending.

Exchange Rates → Impacts import/export businesses.

Government Policies → Tax policies, regulations, and incentives.

Unemployment Rate → Affects consumer spending power.

2. Industry Analysis (I)

Each industry reacts differently to economic changes. This step examines industry specific trends to find promising sectors.

Industry Growth Rate → Fast-growing industries offer more opportunities.

Market Size & Demand Trends → Helps identify future profitability.

Competition & Market Structure → Monopoly? Oligopoly? Highly competitive?

Regulatory Environment → Government policies & legal factors.

Technological Advancements → Disruptions & innovations.

3. Company Analysis (C)

Once a strong industry is identified, investors analyse individual companies to select the best stocks.

Financial Performance → Revenue, profit margins, debt levels.

Competitive Advantage (Moat) → Brand power, patents, technology.

Management Quality → Leadership, strategy, past decisions.

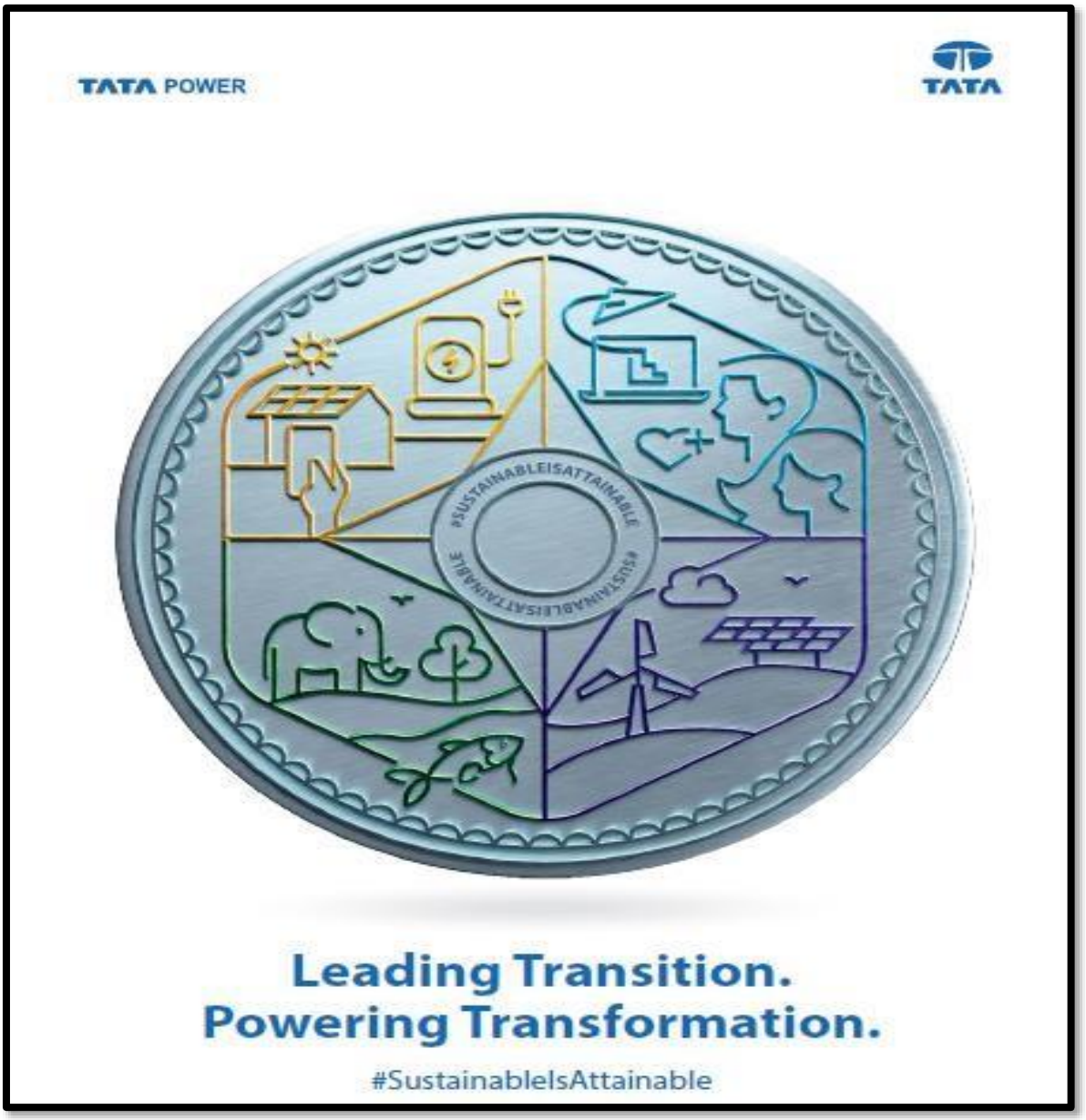
Evaluation Metrics → P/B ratio, ROE, ROA.

Growth Potential → Expansion plans, product pipeline, innovation

CHAPTER 2

Overview of The Company – TATA Power

Incorporated: 1919
Headquarters: Mumbai, Maharashtra, India
Chairman: Natarajan Chandrasekaran
CEO & MD: Dr. Praveer Sinha
Parent Group: Tata Group
Listed On: NSE, BSE
Stock Symbol: TATAPOWER



TATA Power Company Limited stands as one of India's largest and most prominent integrated power companies.

The company operates across the complete power value chain, encompassing power generation, transmission, distribution, and trading. This integrated presence enables TATA Power to play a vital role in meeting the country's growing energy demands efficiently and sustainably.

With over **100 years** of experience, it is a pioneer in the Indian power industry and a trusted name in delivering reliable and sustainable energy solutions.

Key Business Segments:

- **Generation:** Over 14 GW of generation capacity, including thermal, hydro, solar, and wind.
- **Renewables:** Among India's leading renewable energy players with over 5 GW capacity; strong focus on solar rooftop, solar pumps, and solar microgrids.
- **Transmission & Distribution:** Operates in major metros like Mumbai, Delhi, and Odisha, supplying electricity to millions of customers.
- **EV Infrastructure:** Developing EV charging network across India to support the country's e-mobility transition.

We are Future-ready

As one of India's largest integrated power companies, Tata Power has a presence across generation, transmission, distribution, and new-age energy solutions. We serve a diverse set of consumers by generating and distributing power from sources including thermal, hydroelectric, and renewable energy. To that end, we proactively undertake various initiatives to reduce our carbon footprint and promote the use of clean energy.

RENEWABLE ENERGY GENERATION
3,927 MW[1]
Installed capacity

CONVENTIONAL ENERGY GENERATION
10,183 MW
Installed capacity

TRANSMISSION
4,194 Ckm[2]
Total transmission line capacity (Operational)

DISTRIBUTION
12.9 million
Customers served

EV CHARGING INFRASTRUCTURE
3,700+
Public charging points energised across 351 cities and towns

EPC ROOFTOP SOLAR#
1,650+ MW
Solar rooftop project executed

MANUFACTURING
4.6 GW
Manufacturing capacity of solar cells and modules including under construction

EPC LARGE PROJECTS
11.5+ GWp[3]
Projects executed and under pipeline

[1] MW - Megawatt [2] Ckm - Circuit kilometer [3] GWp - Gigawatt peak # (India's #1 Solar Rooftop EPC Company - 9 years in a row)

Vision and Strategy:

TATA Power is leading the energy transition in India, with a vision to become a **net-zero carbon company before 2045**. It aims to grow its **renewable energy share to 80% by 2030**, aligning with India's national climate and energy goals.

Global Presence:

TATA Power has international projects and collaborations, including ventures in South Africa, Indonesia, Bhutan, and Zambia, reinforcing its global footprint.

CHAPTER 3

Impact of Economic Indicators on TATA Power Company Limited

As a leading integrated power company, TATA Power is significantly affected by a range of macroeconomic indicators. The following is an analysis of key economic factors and their potential implications for the company's future earnings and strategic direction:

1. GDP Growth Rate (India)

- **Relevance:** Higher GDP growth reflects increased industrial activity, infrastructure development, and urbanization—all of which fuel electricity demand.
- **Impact on TATA Power:** As India's GDP continues to grow at ~6.5–7%, energy demand will rise, especially in urban and rural electrification projects. This will drive revenue growth in TATA Power's generation and distribution segments.

2. Interest Rates (Repo Rate)

- **Relevance:** Power infrastructure is capital-intensive, so borrowing costs play a critical role in project feasibility.
- **Current Trend:** With the RBI repo rate at 6.50%, borrowing costs are moderately high.
- **Impact:** High interest rates can strain margins on new projects. However, TATA Power's access to low-cost green financing and its established credit profile can partially mitigate this risk.

3. Inflation Rate (CPI)

- **Relevance:** Inflation increases input costs (e.g., coal, solar modules, labor).
- **Impact:** Persistent inflation could pressure operating margins. TATA Power's shift toward renewables, which have lower operational costs, helps reduce inflation exposure over time.

4. Crude Oil and Coal Prices

- **Relevance:** Affects fuel cost for thermal power generation.
- **Impact:** Rising global commodity prices can increase TATA Power's input costs. However, growing reliance on renewable energy helps reduce sensitivity to fossil fuel price volatility.

5. Exchange Rate (INR/USD)

- **Relevance:** Affects the cost of importing equipment (e.g., solar panels, batteries) and repaying foreign debt.

- **Impact:** A weakening INR increases import costs. However, TATA Power is increasingly localizing supply chains and seeking long-term hedging to manage this risk.

6. Government Policy and Spending (Especially Renewable Energy)

- **Relevance:** India's goal of achieving 500 GW of non-fossil fuel capacity by 2030 is accompanied by various incentives, subsidies, and supportive policy measures.
- **Impact:** TATA Power is well-aligned with national priorities and stands to benefit from solar subsidies, tax benefits, and green project financing—boosting future earnings and margins.

Summary:

Economic Indicator	Impact on TATA Power
GDP Growth Rate	Positive: Boosts energy demand and revenues
Interest Rates	Moderately Negative: Affects cost of capital for expansion
Inflation Rate	Negative: Increases operational costs, partly offset by renewable shift
Crude Oil/Coal Prices	Negative for thermal; mitigated by rising renewable capacity
Exchange Rate (INR/USD)	Moderate Risk: Increases import cost; managed via hedging and localization
Government Policies	Highly Positive: Incentives support clean energy growth

Table 3.1

CHAPTER 4

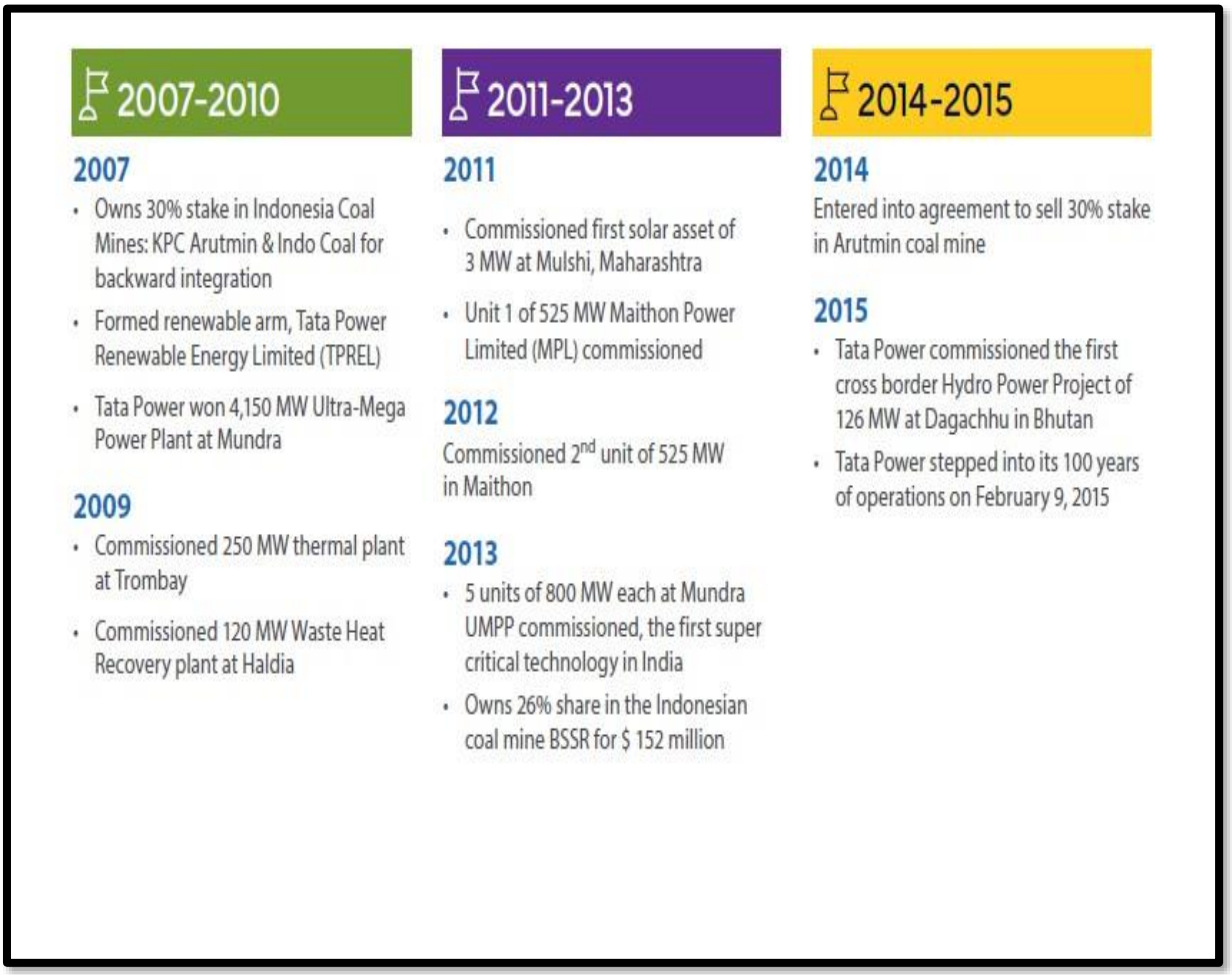
INDUSTRY LIFE CYCLE ANALYSIS OF TATA POWER

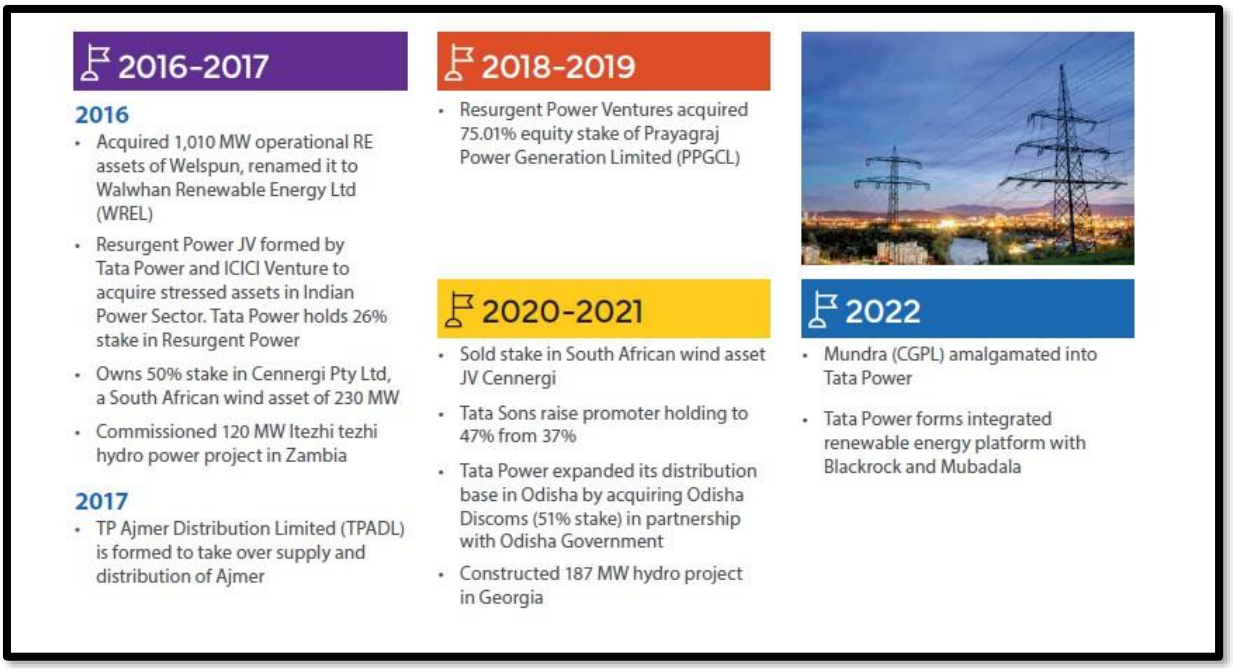
4.1. Introduction:

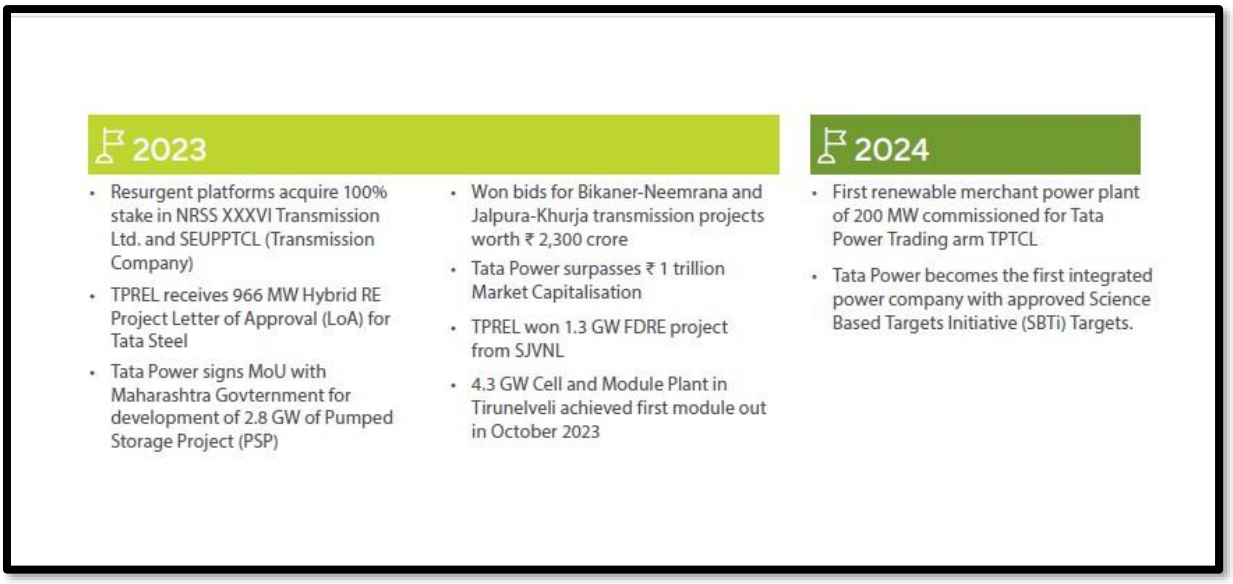
Industry Life Cycle Analysis is a framework used to understand the different stages of an industry's evolution. It helps businesses, investors, and Policymakers assess growth potential, competition, and profitability over time.

4.2. Stages of Industry Life Cycle:

1) Introduction Stage - Emerging industry with new technologies and low market penetration.
2) Growth Stage - Rapid adoption, high revenue growth, and increasing competition.
3) Maturity Stage - Market saturation, slower growth, and focus on efficiency.
4) Decline Stage - Falling demand, industry disruption, and obsolescence. TATA Power operates in the **Indian power sector**, which comprises both **traditional (thermal, hydro)** and **emerging (renewable, EV infrastructure)** sub-industries. The sector's position industry life cycle the energy segment.







1. Thermal Power – Maturity to Decline Phase

- **Characteristics:**
  - High market saturation.
  - Regulatory pressure due to emissions.
  - Slower growth and return on investment.
- **Impact on TATA Power:**
  - Legacy thermal assets face rising costs and tighter compliance norms.
  - The company is gradually reducing exposure to coal-based assets in favor of green energy.

2. Renewable Energy – High Growth Phase

- **Characteristics:**
  - Government support and subsidies.
  - Falling cost of technology (solar panels, wind turbines).
  - Surge in private and public investments.
- **Impact on TATA Power:**
  - Major business focus: Solar EPC, solar rooftops, microgrids, and wind power.
  - The company is well-positioned to capture market share with over 5 GW renewable capacity and growing.

3. Distribution & Transmission – Consolidation Phase

- **Characteristics:**
  - High capital requirements and long-term concession contracts.
  - Operational efficiency and customer service are key differentiators.
- **Impact on TATA Power:**
  - Operates in key metros (Mumbai, Delhi, Odisha).
  - Focus on modernization through smart grids and loss reduction.

4. EV Charging Infrastructure – Introduction to Growth Phase

- **Characteristics:**
  - Emerging segment driven by India's e-mobility mission.
  - Requires heavy initial investment but has massive future potential.
- **Impact on TATA Power:**
  - Front-runner in EV charging with pan-India expansion.
  - Building a strategic long-term moat.

Visual: Industry Life Cycle Stages (Mapped to TATA Power)

Stage	Industry Segment	TATA Power Involvement
Introduction	EV Charging, Smart Grids	High R&D, strategic investments
Growth	Renewable Energy	Aggressive expansion, key focus
Maturity	Transmission & Distribution	Consolidation, efficiency drive
Decline	Thermal Power	Gradual phase-out of new capacity

Table 4.1

CHAPTER 5

PORTER FIVE FORCES ANALYSIS OF TATA POWER

1. Threat of New Entrants – Moderate

- **Barriers to Entry:**
  - High capital requirements for generation and distribution infrastructure.
  - Regulatory and environmental approvals are complex and time-consuming.
  - Need for long-term power purchase agreements (PPAs) and scale for profitability.
- **Current Trends:**
  - Government incentives are encouraging new players, especially in solar and EV charging.
  - Tech startups are entering the renewable and microgrid markets.
- **TATA Power's Position:**
  - Strong brand, scale, and legacy relationships with DISCOMs give it a competitive moat.
  - Early-mover advantage in renewables and EV infrastructure provides a strategic edge.

Verdict: Moderate threat, mostly in emerging green energy sub-segments.

---

2. Bargaining Power of Suppliers – Moderate

- **Suppliers Involved:**
  - Equipment suppliers (solar panels, turbines, transformers).
  - Fuel providers (coal, gas).
  - Technology and grid service providers.
- **Dynamics:**
  - Solar panel supply is still heavily reliant on imports from China, exposing companies to global price and currency risks.
  - Coal pricing is subject to volatility, though TATA Power has diversified sourcing strategies.
- **TATA Power's Leverage:**
  - Growing local procurement of solar modules and backward integration in EPC solutions.
  - Long-term fuel sourcing contracts and diversified supplier base.

Verdict: Moderate bargaining power—higher in traditional energy, lower in green energy due to scale.

3. Bargaining Power of Buyers – Low to Moderate

- **Buyers:**
  - State DISCOMs (distribution companies).
  - End-consumers in retail distribution zones (e.g., Mumbai).
  - Industrial/commercial clients in solar EPC.
- **Trends:**
  - Limited retail switching options in regulated zones reduces buyer power.
  - However, state DISCOMs often delay payments, affecting cash flow for generators.
- **TATA Power's Advantage:**
  - Direct customer relationships in Mumbai and Odisha.
  - Rapid growth in B2B solar solutions reduces reliance on DISCOMs.

Verdict: Buyer power is moderate overall but manageable due to diversification.

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4. Threat of Substitutes – Low

- **Substitutes for Electricity:**
  - None functionally—electricity is an essential service.
  - Partial substitution via rooftop solar and local microgrids (especially in rural areas).
- **Trends:**
  - Renewable energy is not a substitute but a transformation of the supply mix.
  - Off-grid and prosumer models (self-generation) are emerging but still niche.

Verdict: Very low threat of substitutes due to essential nature of power.

---

5. Industry Rivalry – High

- **Competitors:**
  - NTPC, Adani Power, JSW Energy, Torrent Power, and emerging renewable firms like ReNew Power and Azure Power.
- **Dynamics:**
  - High fixed costs lead to aggressive bidding in PPAs and EPC contracts.
  - Rapid growth in renewables has created intense competition in tariffs and scale.

- **TATA Power's Edge:**
  - Strong brand, integrated value chain, diversified asset base (generation + distribution + EV).
  - Focus on operational efficiency and digital transformation.

Verdict: Intense rivalry, but TATA Power maintains a strong and differentiated market position.

Summary Table: Porter's Five Forces for TATA Power

Force	Level	Key Takeaways
Threat of New Entrants	Moderate	High capex and compliance requirements; new players in green tech emerging
Supplier Power	Moderate	Import dependency declining; diversified sourcing strategies help
Buyer Power	Low to Moderate	DISCOM pressure balanced by retail and B2B customers
Threat of Substitutes	Low	Electricity is essential; limited substitution via rooftop solar
Industry Rivalry	High	Intense competition in both traditional and renewable segments

Table 5.1

CHAPTER 6

COMPANY ANALYSIS – FINANCIAL ASPECT

6.1.Introduction:

Company analysis is the mechanism of assessing a business's financial health, competitive position, growth potential, and risks to determine its strengths, weaknesses, and investment attractiveness. It is used by investors, analysts, and stakeholders to make informed decisions about the company's future performance.

TATA POWER Income Statement Analysis

Analysis of the TATA POWER Income Statement Operating income increased 11.5% (YoY) during the year.

company's operating profit grew by 4.5% year over year.
From 21.4% in FY23 to 20.1% in FY24, operating profit margins saw a decline.

Finance costs rose 6.0% year over year, while depreciation charges rose 10.1%. YoY, other revenue increased by 24.2%.

The year-over-year growth in net profit was 12.3%.

Over the course of the year, net revenue margins increased from 6.9% in FY23 to 7.0% in FY24.

The Company					
INCOME					
Revenue From Operations [Gross]	**811.63**	**17,437.45**	**10,898.03**	**6,050.40**	**7,529.36**
	19,811.63	**17,437.45**	**10,898.03**	**6,050.40**	**7,529.36**
	281.73	290.33	209.9	130.19	197.03
	20,093.36	**17,727.78**	**11,107.93**	**6,180.59**	**7,726.39**
	1,852.39	4,085.39	2,987.11	1,248.96	582.62
	21,945.75	**21,813.17**	**14,095.04**	**7,429.55**	**8,309.01**
	147.26	0	0	0	0
Cost of Power Purchased	1,308.09	1,395.16	797.64	504.3	457.59
Fuel	12,285.31	12,023.79	6,569.00	2,186.38	2,765.61
	335.26	260.02	258.84	258.18	214
COGS	14075.92	13678.97	7625.48	2948.86	3437.2
	794.71	746.17	737.59	649.07	610.71
	2,257.45	2,226.60	2,188.94	1,518.77	1,510.38
	1,188.46	1,167.47	1,134.23	668.89	685.75
	1,322.10	1,691.26	1,197.46	765.68	756.69
	19,638.64	**19,510.47**	**12,883.70**	**6,551.27**	**7,000.73**
	11	**302.70**	**1,211.34**	**878.28**	**1,308.28**
	203.99	1,808.27	1,546.46	190.33	-957.75
	2,511.10	**4,110.97**	**2,757.80**	**1,068.61**	**350.53**
	0	0	0	205.31	18.61
	430.01	983.8	-387.85	-104.34	73.08
	-148.77	-140.73	-105.11	0	-299.51
	281.24	**843.07**	**-492.96**	**100.97**	**-207.82**
	2,229.86	**3,267.90**	**3,250.76**	**967.64**	**558.35**
	2,229.86	**3,267.90**	**3,250.76**	**967.64**	**558.35**
	0	0	-467.83	-219.84	-442.64
	0	0	0	-173.65	-32.41
	0	0	-467.83	-46.19	-410.23
	2,229.86	**3,267.90**	**2,782.93**	**921.45**	**148.12**
					12
)	6.97	10.22	8.61	2.49	0.08
)	6.97	10.22	8.61	2.49	0.08
OF IMPORTED					
	639.07	559.18	495.28	419.24	351.99
Equity Dividend Rate (%)	200	200	175	155	155

Figure 6.1 Income Statement

TATA POWER Revenue Declaration 2023-24

No. of Mths Year Ending		12 Mar-23*	12 Mar-24*	% Change
Net Sales	Rs	551,091	614,489	11.5%
Other income	Rs	14,682	18,236	24.2%
Total Revenues	Rs	565,773	632,725	11.8%
Gross profit	Rs	117,999	123,282	4.5%
Depreciation	Rs	34,392	37,864	10.1%
Interest	Rs	43,719	46,334	6.0%
Profit before tax	Rs	54,570	57,320	5.0%
Tax	Rs	16,473	14,519	-11.9%
Profit after tax	Rs	38,097	42	

Table 6.1

Additionally, the company's current obligations decreased by -7.4% to Rs 419 billion in FY24 from Rs 452 billion in FY23.

The long-term debt increased by 21.8% to Rs 374 billion from Rs 307 billion in FY23.

In FY24, fixed assets increased 15% to Rs 1,023 billion, while current assets decreased 2% to Rs 356 billion.

All things considered, the total assets and liabilities for FY24 were Rs 1,391 billion, up 9% from Rs 1,281 billion last year.

Standalone Balance Sheet	----------				
	24	23	22	21	20
					5
					5
	15,468.10	13,380.03	10,560.24	16,559.00	13,491.47
Total Reserves and Surplus	**15,468.10**	**13,380.03**	**10,560.24**	**16,559.00**	**13,491.47**
Total Shareholders Funds	**15,787.66**	**13,699.59**	**10,879.80**	**16,878.56**	**13,761.97**
	0	0	0		
	13,373.21	11,272.30	18,087.97	13,168.52	9,825.33
	996.19	617.29	0	135.36	307.25
	3,739.35	3,728.83	3,325.33	377.51	412.97
	280.7	285.94	274	261.38	222.46
	18,389.45	**15,904.36**	**21,687.30**	**13,942.77**	**10,768.01**
	6,152.95	10,593.18	6,620.41	5,595.70	6,212.31
	4,081.38	1,985.02	4,079.89	1,137.00	1,001.87
	6,049.69	5,972.80	3,841.41	3,789.55	4,310.30
	27.82	17.76	44.59	25.37	62.02
	16,311.84	**18,568.76**	**14,586.30**	**10,547.62**	**11,586.50**
	50,488.95	**48,172.71**	**47,153.40**	**42,868.95**	**37,616.48**
NON-CURRENT ASSETS					
Tangible Assets	23,522.28	23,699.59	23,708.53	8,200.75	7,974.07
Intangible Assets	19.99	22.46	37.43	55.39	62.22
				285.45	
Fixed Assets	**25,340.80**	**24,994.61**	**24,711.11**	**8,541.59**	**8,439.16**
				26,128.40	
	0	0	250	0	0
	4.25	2.68	453.17	490.18	42.1
	3,952.76	3,011.41	2,605.66	2,463.95	1,920.44
Total Non-Current Assets	**42,311.61**	**40,073.25**	**38,731.32**	**37,624.12**	**31,728.90**
CURRENT ASSETS					
Current Investments	392.4	64.17	67.6	240.01	20
Inventories	2,119.53	2,457.95	2,292.33	632.94	635.01
Trade Receivables	1,742.08	2,020.90	1,085.51	910.87	1,108.68
				142.67	
Short Term Loans Advances	0	0	1,328.48	1,523.89	550.09
OtherCurrentAssets	3,304.74	3,260.52	3,569.61	1,794.45	3,394.86
Total Current Assets	**8,177.34**	**8,099.46**	**8,422.08**	**5,244.83**	**5,887.58**
Total Assets	**50,488.95**	**48,172.71**	**47,153.40**	**42,868.95**	**37,616.48**
OTHER ADDITIONAL INFORMATION					

Figure 6.2 Balance Sheet

CONTINGENT LIABILITIES, COMMITMENTS					
Contingent Liabilities	2,933.33	7,610.04	4,975.32	17,904.26	17,148.46
CIF					
	0	0	0	133	228
	0	0	0	706	1,070.00
Capital Goods	66	49	0	0	0
	7,087.00	7,649.00	4,678.00	4	3
	-	-	-	-	-
	1,318.00	3,386.00	4,656.00	809	125
	-	-	-	-	-
NON-CURRENT INVESTMENTS					
Quoted Market Value	2,298.91	1,472.21	3,089.45	236.28	161.01
Unquoted Book	11,997.25	11,423.86	10,091.00	26,090.45	21,304.86
	-	-	-	-	-
	392.4	17	67.6	240.01	20

Figure 6.3 Balance Sheet

TATA POWER Balance Sheet as on March 2024

		12	12	%
Net worth	Rs	287,874	323,470	12.4
Current Liabilities	Rs	452,146	418,544	-7.4
Long-term Debt	Rs	307,085	373,923	21.8
Total Liabilities	Rs	1,280,961	1,390,544	8.6
Current assets	Rs	362,251	355,631	-1.8
Fixed Assets	Rs	885,711	1,022,904	15.5
Total Assets	Rs	1,280,961	1,390,544	8.6

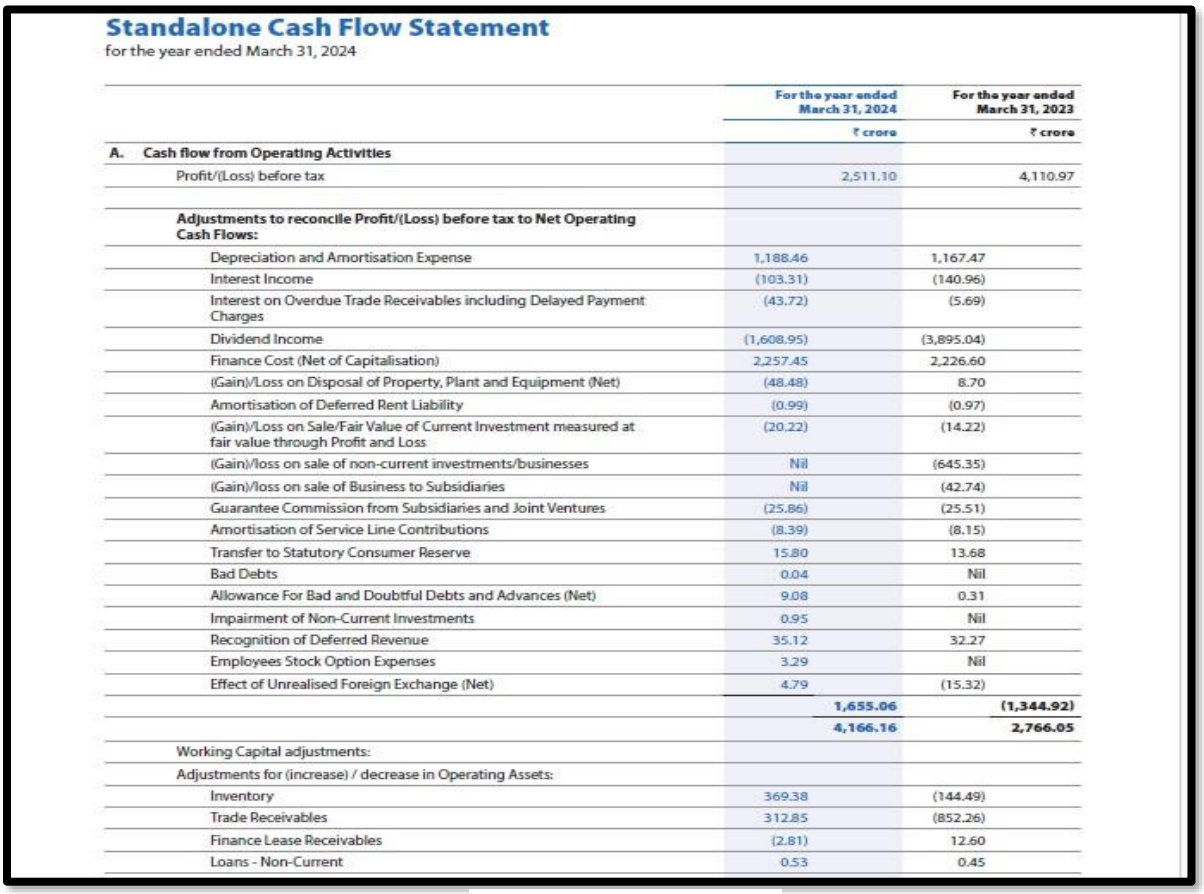
Table 6.2

TATA POWER Cash Flow Statement Analysis

- During FY24, generated Rs 126 billion in cash flow from operating activities (CFO), marking a 75.8% year-on-year increase.
- (CFI) was reported at Rs -90 billion, reflecting a 22.4% improvement compared to the previous year.

2

- (CFF) stood at Rs -45 billion on a year-on-year basis.
- As a result, the company reported a net cash outflow of Rs 9 billion in FY24, a decline from the net inflow of Rs 12 billion recorded in FY23.



Standalone Cash Flow Statement

for the year ended March 31, 2024

	For the year ended March 31, 2024		For the year ended March 31, 2023	
	₹ crore		₹ crore	
A. Cash flow from Operating Activities				
Profit/(Loss) before tax	2,511.10		4,110.97	
Adjustments to reconcile Profit/(Loss) before tax to Net Operating Cash Flows:				
Depreciation and Amortisation Expense	1,188.46		1,167.47	
Interest Income	(103.31)		(140.96)	
Interest on Overdue Trade Receivables including Delayed Payment Charges	(43.72)		(5.69)	
Dividend Income	(1,608.95)		(3,895.04)	
Finance Cost (Net of Capitalisation)	2,257.45		2,226.60	
(Gain)/Loss on Disposal of Property, Plant and Equipment (Net)	(48.48)		8.70	
Amortisation of Deferred Rent Liability	(0.99)		(0.97)	
(Gain)/Loss on Sale/Fair Value of Current Investment measured at fair value through Profit and Loss	(20.22)		(14.22)	
(Gain)/loss on sale of non-current investments/businesses	Nil		(645.35)	
(Gain)/loss on sale of Business to Subsidiaries	Nil		(42.74)	
Guarantee Commission from Subsidiaries and Joint Ventures	(25.86)		(25.51)	
Amortisation of Service Line Contributions	(8.39)		(8.15)	
Transfer to Statutory Consumer Reserve	15.80		13.68	
Bad Debts	0.04		Nil	
Allowance For Bad and Doubtful Debts and Advances (Net)	9.08		0.31	
Impairment of Non-Current Investments	0.95		Nil	
Recognition of Deferred Revenue	35.12		32.27	
Employees Stock Option Expenses	3.29		Nil	
Effect of Unrealised Foreign Exchange (Net)	4.79		(15.32)	
		1,655.06		(1,344.92)
		4,166.16		2,766.05
Working Capital adjustments:				
Adjustments for (increase) / decrease in Operating Assets:				
Inventory	369.38		(144.49)	
Trade Receivables	312.85		(852.26)	
Finance Lease Receivables	(2.81)		12.60	
Loans - Non-Current	0.53		0.45	

Figure 6.3 Cash Flow

B.	**Cash Flow from Investing Activities**			
	Capital Expenditure on Property, Plant and Equipment and Other Intangible Assets (including Capital Advances)		(1,658.75)	(1,711.00)
	Proceeds from Sale of Property, Plant and Equipment (Including Property, Plant and Equipment classified as held for sale)		136.43	10.19
	Purchase of Non-Current Investments including investment in Subsidiaries		(380.67)	(5,383.28)
	Proceeds on account of Share Reduction of Joint venture		7.25	Nil
	Redemption of Investment In Perpetual Securities		Nil	3,895.00
	Investment In Perpetual Securities of Subsidiaries		(101.35)	(7.85)
	Proceeds from Sale of Non-Current Investments (Net of expenses)		Nil	1,010.78
	(Purchase of) / Proceeds from Sale of Current Investments (Net)		(308.01)	20.30
	Proceeds from Sale of Business to Subsidiaries		Nil	199.12
	Interest Received		105.86	71.49
	Interest on Overdue Trade Receivables including Delayed Payment Charges		43.72	5.69
	Loans Given		(2.10)	(41.11)
	Loans Repaid		16.51	1,726.59
	Dividend Received		2,021.52	5,303.12
	Guarantee Commission Received		25.47	25.07
	Bank Balance not considered as Cash and Cash Equivalents		2.01	(0.05)
	Net Cash Flow from/(used in) Investing Activities	**B**	**(92.11)**	**5,124.06**
C.	**Cash Flow from Financing Activities**			
	Proceeds from Non-Current Borrowings		8,279.84	4,021.00
	Repayment of Non-Current Borrowings		(8,210.21)	(7,764.85)
	Proceeds from Current Borrowings		26,502.68	28,010.08
	Repayment of Current Borrowings		(28,860.00)	(26,490.08)
	Interest and Other Borrowing Costs		(2,190.35)	(2,030.67)
	Proceeds from/(Repayment) of Bills Discounted (Net)		(26.71)	(27.38)
	Inter Corporate Deposit taken/(repaid) (Net)		(25.00)	(224.66)
	Increase in Capital/Service Line Contributions		12.09	9.36
	Dividends paid		(639.07)	(559.18)
	Payment of Lease Liability		(307.87)	(293.24)
	Net Cash Flow from/(used in) Financing Activities	**C**	**(5,464.60)**	**(5,349.62)**

Figure 6.4 Cash Flow

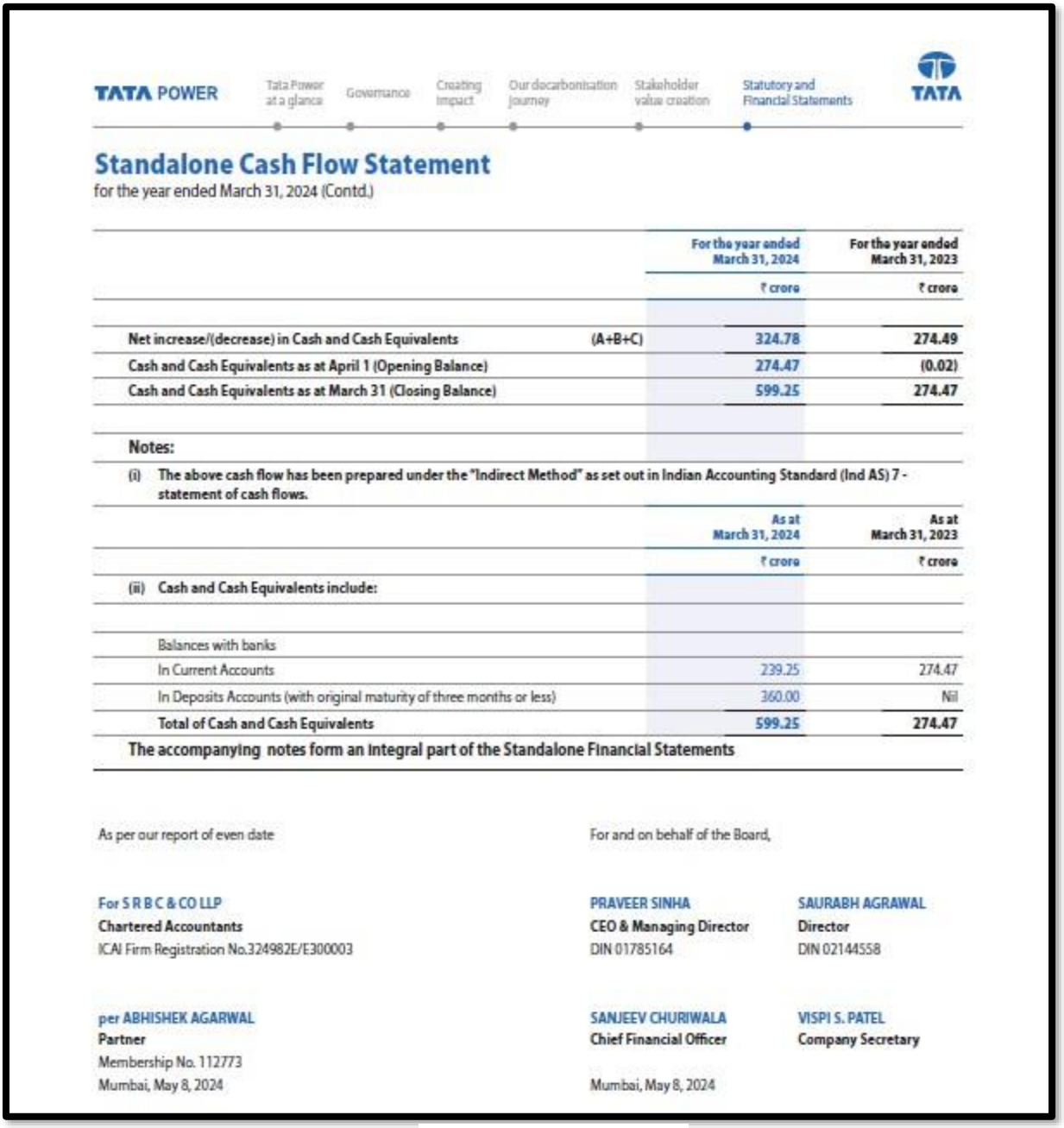
Other Current Assets		(49.51)	(66.30)
Other Non-Current Assets		(1,106.04)	(231.28)
Unbilled Revenue		(33.20)	(14.11)
Other Financial Assets - Current		56.21	62.43
Other Financial Assets - Non-Current		(2.96)	22.30
Regulatory Deferral Account - Assets		(332.22)	(1,187.30)
		(787.77)	(2,397.96)
		3,378.39	368.09

Standalone Cash Flow Statement

for the year ended March 31, 2024 (Contd.)

		For the year ended March 31, 2024	For the year ended March 31, 2023
		₹ crore	₹ crore
Adjustments for increase / (decrease) in Operating Liabilities:			
Trade Payables		2,091.57	(2,045.96)
Other Current Liabilities		(58.25)	96.16
Current Provisions		28.15	(26.23)
Non-Current Provisions		(5.24)	24.48
Other Financial Liabilities - Current		275.93	2,209.51
Other Financial Liabilities - Non Current		(1.70)	0.47
		2,330.46	258.43
Cash flow from/(used in) operations		5,708.85	626.52
Income Tax Paid (Net of Refund Received)		172.64	(126.47)
Net Cash Flows from/(used in) Operating Activities	**A**	**5,881.49**	**500.05**

Figure 6.4 Cash Flow



Standalone Cash Flow Statement

for the year ended March 31, 2024 (Contd.)

		For the year ended March 31, 2024 ₹ crore	For the year ended March 31, 2023 ₹ crore
Net increase/(decrease) in Cash and Cash Equivalents	(A+B+C)	324.78	274.49
Cash and Cash Equivalents as at April 1 (Opening Balance)		274.47	(0.02)
Cash and Cash Equivalents as at March 31 (Closing Balance)		599.25	274.47

Notes:

(i) The above cash flow has been prepared under the "Indirect Method" as set out in Indian Accounting Standard (Ind AS) 7 - statement of cash flows.

	As at March 31, 2024 ₹ crore	As at March 31, 2023 ₹ crore
(ii) Cash and Cash Equivalents include:		
Balances with banks		
In Current Accounts	239.25	274.47
In Deposits Accounts (with original maturity of three months or less)	360.00	Nil
Total of Cash and Cash Equivalents	599.25	274.47

The accompanying notes form an integral part of the Standalone Financial Statements

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration No.324982E/E300003

per ABHISHEK AGARWAL
Partner
Membership No. 112773
Mumbai, May 8, 2024

For and on behalf of the Board,

PRAVEER SINHA
CEO & Managing Director
DIN 01785164

SAURABH AGRAWAL
Director
DIN 02144558

SANJEEV CHURIWALA
Chief Financial Officer

VISPI S. PATEL
Company Secretary

Mumbai, May 8, 2024

Figure 6.5 Cash Flow

2 TATA POWER Cash Flow Statement 2023-24

	No. of months	12	12	% Change
	Year Ending	Mar-23	Mar-24	
Cash Flow from Operating Activities	Rs m	71,656	125,961	75.8%
Activities				
Cash Flow from Financing Activities	Rs m	13,408	-44,974	-
				-

Table 6.3

TATA POWER's current evaluations:

(EPS) has risen to Rs 13.4, up from Rs 11.9 in the previous year.

Based on the current market price of Rs 435.7, the stock is trading at a price-to-earnings (P/E) ratio of 44.9.

(P/BV) ratio at this price point is 4.3, while the price-to-sales ratio is 2.3.

(P/CF) ratio, calculated using the year-end operating cash flow, stands at 12.4.

Per Share Data Estimates

		12 Mar-23*	12 Mar-24*
Sales per share	Rs	172.5	
TTM Earnings per share	Rs	11.9	13.4
Price to Cash Flow	x	8.4	12.4
	x	99.6	44.9
Price / Book Value ratio	x	2.7	3.1
Market Cap	Rs m	767,600	998,943
Dividends per share	Rs	2.0	2.0

Ratio analysis for tata power wrt previous 5 years

Liquidity Ratio

Liquidity Ratio	Formula					
Current Ratio	Current assets/current liabilities	.50 :1	.44 :1	.58 :1	.50 :1	.51 :1

Liquidity Ratio	Formula						Interpretation
		.50 :1	.44 :1	.58 :1	.50 :1	.51 :1	The ratio has further decreased compared to the previous year, suggesting an even tighter liquidity position. This drop might indicate growing short-term debt or a reduction in current assets, making it more challenging to cover immediate liabilities. The ratio was marginally better than March '21 and '24, showing a slightly improved liquidity position. However, it still suggests the company faced difficulties in covering short-term debts. Overall Interpretation: Tata Power's current ratio has consistently been below 1 across the five years, indicating ongoing liquidity constraints. The trend shows some fluctuation,

Liquidity Ratio	Formula					
Acid Test Ratio or Quick Ratio	(Current assets-inventories)/Current liabilities	.37 :1	.30 :1	.42 :1	.44 :1	.45 :1

Acid Test Ratio or Quick Ratio	(Current assets-inventories)/Current liabilities	.37 :1	.30 :1	.42 :1	.44 :1	.45 :1	Tata Power's Quick Ratio has consistently been below 1 over the past five years, which indicates a pattern of liquidity constraints. The trend has generally been declining, with March '23 showing the lowest quick ratio (0.30). This suggests increasing reliance on inventory sales or the need for external financing to meet short-term liabilities. A quick ratio consistently below 1 could be a warning sign for potential cash flow issues, highlighting the need for more efficient liquidity management.

Efficiency Ratio/ Activity Ratio

Efficiency Ratio/ Activity Ratio	Formula					
Inventory turnover ratio	Cost of goods sold / Average inventory	6.64 times	5.57 times	3.33 times	4.66 times	5.41 times

Efficiency Ratio/Activity Ratio	Formula						Interpretation
I ratio	Costofgoods sold / Averageinventory	6.64times	5.57times	3.33times	4.66times	5.41times	Overthefive-yearperiod,TataPower'sinventoryturnoverratiofluctuated,withnotableimprovementsinMarch'24and March'23.Thehighestratiooff6.64inMarch'24suggeststhatthecompanyhasoptimizedi tsinventory management, leadingtofastersalesandreduceholdingcosts.Incontrast,thedropto3.33inMarch'22mightindicatechallengessuchas slowersalesoroverstocking.Overall,thetrendshowsrecoveryandimprovementinrecentyears,signalingbettercontrol overinventoryandpotentiallystrongersalesperformance.

Efficiency Ratio/ Activity Ratio	Formula					
Accounts receivable turnover ratio	Credit sales / Average accounts receivables	11.37 times	8.63 times	10.04 times	6.64 times	6.79 times

Accounts receivable turnoverratio	Creditsales/Average accountsreceivables	11.37times	8.63times	10.04times	6.64times	6.79times	TataPowersaccountsreceivableturnoverratiohasshownapositivetrendoverthefiveyears,improvingsignificantlyfrom 6.79timesinMarch'20to11.37timesinMarch'24.Thehigherratiosinrecentyearssuggestthatthecompanyhasbecome moreefficientincollectingpaymentsfromcustomers,leadingtoimprovedcashflowandreducedcreditrisk.Thistrend indicatesbettermanagementofcreditsales,stricterpaymentterms,promotorelibleaustomerbase.Thelowerratiosin earlieryearssuggestthattheremighthavebeendelaysincollectionsormoreleniencreditpractices,whichthecompany hassuccessfullyaddressedinrecentyears.

Efficiency Ratio/ Activity Ratio	Formula					
Fixed Assets turnover ratio	Sales / Fixed assets	.78 times	.70 times	.44 times	.71 times	.89 times

the five-year period, Tata Power's Fixed Assets Turnover Ratio has fluctuated. It was highest in March '20 (0.89 times), indicating the best utilization of fixed assets during that year. The ratio dropped significantly in March '22 (0.44 times), suggesting possible inefficiencies or a decline in sales. However, the trend has been improving since then, with the ratio reaching 0.78 in March '24, showing a recovery in the effective use of fixed assets.

The fluctuations could be due to factors such as changes in sales performance, investments in new assets, or asset underutilization during periods of lower demand. Tata Power's improvement in recent years indicates better asset management and an effort to generate more revenue from its existing asset base. However, further enhancement would be beneficial to maximize returns on its fixed asset investments.

Efficiency Ratio/ Activity Ratio	Formula					
Net Assets turnover ratio	Sales / Net assets (Net Assets = Fixed Assets + Current Assets - Current Liabilities)	1.15 times	1.20 times	.59 times	1.87 times	2.75 times

Net Assets turnover ratio	Sales / Net assets (Net Assets = Fixed Assets + Current Assets - Current Liabilities)	1.15 times	1.20 times	.59 times	1.87 times	2.75 times	This decline suggests that the company has become less efficient net particularly low of 0.59 in March '22 indicates a period of significant inefficiency, which may have been caused by lower sales, underutilized assets, or increased liabilities. The improvement seen in March '23 and '24 (though still lower than earlier years) indicates that Tata Power has made efforts to improve asset utilization. However, compared to the peak in March '20, there is still a need for further optimization.

Profitability Ratio

Profitability Ratio	Formula					
Net Profit Margin		11.26%	18.74%	25.54%	15.23%	1.97%

Over the five-year period, Tata Power's net profit margin has fluctuated significantly. **The company saw a remarkable improvement from a low of 1.97% in March '20 to a peak of 25.54% in March '22, reflecting a period of exceptional profitability and efficient cost management. However, the subsequent decline to 18.74% in March '23 and further to 11.26% in March '24 indicates decreasing profitability, potentially due to rising costs, competitive pressures, or changes in sales performance.**

The sharp contrast between March '20 and March '22 suggests that the company made significant improvements in its operations or market positioning during this period

Profitability Ratio	Formula					
Return on Assets (ROA)	PAT or Net profit / Total Assets	4.42%	6.78%	5.90%	2.15%	0.39%

- The peak in March 2023 at 6.78% suggests that the company was particularly effective in utilizing its assets to generate profits during that period.**Overall, TATA Power's ROA analysis reveals a positive trajectory in profitability, with notable improvements over the years. However, the recent decline in ROA from the previous year should be closely monitored to understand the underlying causes and to ensure continues effectively.**

Profitability Ratio	Formula					
Return on Capital Employed (ROCE)	Net Profit / Capital Employed (Capital Employed = Share Capital + Long term debts)	16.28%	28.19%	15.12%	6.83%	1.47%

- The peak ROCE of 28.19% in March 2023 suggests that the company was exceptionally efficient in utilizing its capital during that year.**Overall, TATA Power's ROCE analysis reveals a positive trend in profitability and capital efficiency, with significant improvements observed over the years. However, the recent decline in ROCE from the previous year should be closely monitored to identify the underlying causes and ensure that the company continues to optimize its capital utilization effectively. Maintaining a strong ROCE is crucial for attracting investors and sustaining growth in a competitive market.**

Profitability Ratio	Formula					
Return on Equity (ROE)	PAT or Net profit / Net worth or Shareholders Equity (Total Shareholder's Equity = Total Assets - Total Liabilities)	6.5%	11.0%	8.5%	2.9%	0.6%

factors contributing to this decrease.Overall, TATA Power's ROE analysis reveals a positive trend in profitability and shareholder returns, with significant improvements observed over the years. However, the recent decline in ROE from the previous year should be closely monitored to identify the underlying causes and ensure that the company continues to optimize its equity utilization effectively. Maintaining a strong ROE is crucial for attracting and retaining investors, as it reflects the company's ability to generate value for its shareholders.

Leverage Ratio

Levarage Ratio	Formula					
Debt- Equity Ratio (DER)	Total Borrowings / Total Equity	1.24	1.60	2.27	1.11	1.17

- The peak DER of 2.27 in March 2022 indicates a period of higher financial leverage, which may have increased financial risk during that time.Overall, TATA Power's Debt-Equity Ratio analysis reveals a positive trend towards reduced financial leverage and improved financial stability. The decreasing DER indicates that the company is effectively managing its debt levels, which can enhance its ability to withstand economic fluctuations and invest in growth opportunities. Maintaining a balanced capital structure is crucial for TATA Power to ensure long-term sustainability and to attract investors by demonstrating prudent financial management.

Levarage Ratio	Formula					
Interest Coverge Ratio	EBIT / Interest payable on loans (or Financial cost excluding financial business & finance lease model)	1.11	1.85	1.26	0.70	0.23

- However, the decline to 1.11 in March 2024 suggests a potential increase in financial strain, as the company's EBIT is only slightly above its interest obligations.**Overall, TATA Power's Interest Coverage Ratio analysis reveals a mixed picture. While the company has made significant strides in improving its ability to cover interest expenses over the past few years, the recent decline in the ratio to 1.11 in March 2024 suggests that it is becoming increasingly reliant on its earnings to meet interest obligations. This situation warrants close monitoring, as a further decline could indicate potential financial difficulties. Ensuring a robust ICR is essential for TATA Power to maintain investor confidence and financial flexibility in a competitive market.**

Crucial Ratio Examination

	x		
Debtors' Days	Days	5	4
	x		
Debt to equity ratio	x	1.1	1.2
Return on equity	%	13.2	13.2

Table6.3

TATA POWER share price performance:

Over the past year, TATA POWER's share price has nearly doubled, rising from Rs 218.2 to Rs 435.7 — an increase of Rs 217.5 or approximately 99.7%.

During the same period, the S&P BSE POWER Index climbed from 3,937.6 to 7,915.7, marking a gain of 3,978 points or about 101.0%.

In comparison, the broader S&P BSE SENSEX has registered a year-on-year increase of 21.8%.

CHAPTER 7

Company Analysis – Non-Financial Aspects: TATA Power Company Limited

1. Corporate Governance and Leadership

- **Leadership:** The company is helmed by **Dr. Praveer Sinha (CEO & MD)** and operates under the leadership of **Natarajan Chandrasekaran** as Chairman of Tata Sons.

- **Governance Standards**: TATA Power maintains strong governance practices, emphasizing transparency, ethical conduct, and accountability to stakeholders—hallmarks of the Tata Group.

- **Board Composition:** The company's board is composed of mix of executive, - executive, and independent directors, ensuring well-rounded and balanced decision-making.

2. Sustainability and ESG Initiatives

- **Vision:** To become a **Net Zero company by 2045**.

- **Environmental Initiatives:**
  - Transitioning from thermal to renewable energy (target of 80% green capacity by 2030).
  - Massive investments in **solar, wind, and hydroelectric** projects.
  - Initiatives like **solar rooftops**, **microgrids**, and **solar pumps** for rural India.
- **Social Responsibility:**
  - Focused on rural electrification, education, and skill development through Tata Power Community Development Trust (TPCDT).
  - Promotes gender diversity, health, and safety in operations.
- **Governance:**
  - Robust ESG reporting and compliance with SEBI and global standards like GRI.

3. Innovation and Technology Adoption

- Investing in **smart metering, AI-driven grid optimization, and predictive maintenance**.
- Leading India's **EV charging infrastructure**, enabling faster adoption of e-mobility.
- Adopting **blockchain and IoT** for energy trading and grid management (pilot projects in progress).

4. Brand Equity and Public Image

- TATA Power benefits from the **strong brand reputation of the Tata Group**, known for trust and social responsibility.
- Consistently ranked among **India's most respected energy brands**.
- Transparent communication during crises (e.g., COVID-19, power outages) has built customer trust.

5. Regulatory and Policy Compliance

- Active collaboration with government and regulators (MNRE, SECI, CERC) to shape policy and adopt clean energy mandates.
- Compliant with evolving **environmental, labor, and financial disclosure regulations**.

6. Human Capital and Workforce Development

- Over **10,000 employees** with a strong focus on training, digital skills, and safety.
- Employee engagement programs, talent retention, and leadership development through Tata Group initiatives.
- Progressive HR policies and a focus on **DE&I (Diversity, Equity & Inclusion)**.

CHAPTER 8

ROE ANALYSIS USING DUPONT

ROE Analysis Using the DuPont Framework – TATA Power Company Limited

DuPont Analysis is a powerful financial tool that breaks down Return on Equity (ROE) into three fundamental components, offering a clearer view of the factors influencing a company's performance. Originally developed in the 1920s by Donaldson Brown at DuPont Corporation, this approach reveals the underlying drivers of ROE by breaking it into key elements.

Rather than using the standard ROE formula alone, the DuPont model expresses it as a combination of net profit margin, asset turnover, and equity multiplier. This breakdown allows analysts and investors to assess whether a company's ROE is primarily driven by profitability, operational efficiency, or financial leverage.

It is particularly useful when comparing the operational performance of two similar companies, as it highlights the underlying drivers of return on equity.

The DuPont formula is as follows:

ROE = Net Profit Margin × Asset Turnover × Equity Multiplier

Where:

- Net Profit Margin = Net Profit / Revenue
- Asset Turnover = Revenue / Total Assets
- Equity Multiplier = Total Assets / Shareholder's Equity

📊 DuPont Breakdown (FY 2023) – TATA Power

Component	Value	Interpretation
Net Profit Margin	₹3,810 Cr / ₹56,033 Cr ≈ **6.8%**	Moderate profitability—affected by rising interest and operational costs
Asset Turnover	₹56,033 Cr / ₹1,52,000 Cr ≈ **0.37**	Low asset turnover due to capital-intensive nature of the power industry
Equity Multiplier	₹1,52,000 Cr / ₹30,400 Cr ≈ **5.0**	High financial leverage—TATA Power funds growth through significant debt

Table 8.1

✅ **ROE = 6.8% × 0.37 × 5.0 ≈ 12.6%**

🔍 Interpretation of ROE (12.6%)

- TATA Power's **ROE of 12.6%** indicates moderate returns to shareholders.
- **Key driver:** The **equity multiplier (5.0)** advises that leverage is a major contributor to ROE.
- **Profit margin (6.8%)** is fairly stable but could improve with further cost control and efficiency in renewables.
- **Low asset turnover (0.37)** reflects the capital-intensive nature of the power business—especially in infrastructure-heavy segments like generation and distribution

⚠ Risks and Considerations

- **High leverage** raises financial risk—particularly if interest rates rise or earnings decline.
- To improve ROE **sustainably**, TATA Power must:
  - Increase operational efficiency.
  - Improve margins through scaling renewables.

CHAPTER 9

INTRINSIC VALUE CALCULATION

1. Intrinsic Value Using Dividend Discount Model (DDM)

9 ✅ **Formula (Gordon Growth Model):**

The Dividend Discount Model (DDM) is a valuation **approach** used to **determine** the **intrinsic value** of a stock by **discounting** its **anticipated future** dividends.

1 **For stocks with dividends that** are expected to grow at a **constant** rate, the **Gordon** Growth **Model (GGM)—a simplified form of the DDM—is commonly applied.**

$$\textbf{Intrinsic Value (P)} = D_1 / (r - g)$$

Where:

- D_1 = dividend next year
- **g** = Dividend growth rate
- Where:
- P0 = Intrinsic Price of the stock
- D1 = Expected Dividend for Following Year (D0 x (1 + g))
- D0 = Most Recent Dividend Paid
- r = Required Rate of Return (Cost of Equity)

- g = Dividend Growth Rate
- Rf = Risk-Free Rate (e.g., 10-year government bond yield)
- Rm = Market Return (historical market return, e.g., NIFTY 50)
- = Stock Beta
- **r** = Required rate of return (cost of equity)

🔢 **Assumptions:**

- **Current Dividend (FY23)** = ₹1.75 per share
- **Expected Growth Rate (g)** = 6% (based on TATA Power's renewable expansion and historical dividend growth)
- **Required Rate of Return (r)** = 11% (assumed based on CAPM estimation for utilities)

💡 **Calculation:**

$D_1 = ₹1.75 \times (1 + 0.06) = ₹1.855$

Intrinsic Value = ₹1.855 / (0.11 – 0.06) = ₹1.855 / 0.05 = ₹37.10

🔎 **Interpretation:**

- The DDM gives a **conservative estimate** of ₹37.10 per share, reflecting TATA Power's modest dividend payout and higher reinvestment in growth projects (especially in renewables and EV infrastructure).

📊 2. Intrinsic Value Using P/E Multiple Method

✅ Formula:

Intrinsic Value = EPS × Industry Average P/E Ratio

🔢 Assumptions:

- **EPS (FY23)** = ₹10.4
- **Industry Average P/E** = 22x (based on Indian renewable/utility peers like NTPC, JSW Energy, and Adani Energy)

💡 Calculation:

Intrinsic Value = ₹10.4 × 22 = ₹228.80

🔎 Interpretation:

- The P/E method suggests a much **higher valuation** as it factors in **earnings power** and **growth expectations**, especially due to the transition into green energy and high ROE sectors like solar EPC and EV infrastructure.

◻ Final Valuation Summary

Method	Intrinsic Value (₹/share)	Remarks
Dividend Discount	₹37.10	Conservative, reflects low payout
P/E Multiple	₹228.80	Reflects earnings potential & growth outlook

Table 9.1

🎯 *Conclusion:*

- The **true intrinsic value** of TATA Power likely lies closer to the **P/E-based valuation** due to the company's aggressive expansion in renewables, strong order book, and improving profitability.
- The **DDM underestimates value** as the company retains earnings for future expansion rather than distributing them as dividends.