

Tata Power (TPWR) - SELL

Q4FY26 Result Update

Current Market Price (CMP) Rs.418	Fair Value (FV) Rs.310
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Rationale:

- Tata Power closed FY26 with a 6% yoy decline in consolidated PAT as losses at Mundra dragged the contribution from the cell & module facility.
- Q4FY26 had similar trends as drag from Mundra shutdown was offset by deferred tax credits.
- Renewable capacity addition in FY26 was weak at 968 MW, against a lowered guidance of 1.4 GW, as the company is running down its third-party EPC book.
- Management has guided for 2.5 GW of capacity addition in the next two years.
- At 28X P/E and 3X P/B (FY27E), the CMP captures all positives.
- Maintain SELL with a revised SoTP based FV of Rs310 (Rs300 earlier).

👍 Positives:

- Own capacity addition to pick up; Mundra resolution a positive.
- Has pending order book of Rs770cr (utility scale) for Tata Power Solar and Rs900cr for rooftop solar.
- Healthy margin for Tata Power Solar; improved utilization at cell & module facility.
- Further, growth would be hinged on new TBCB transmission projects, and the planned 10 GW wafer & ingot facility for backward integration.

👎 Negatives:

- Q4FY26 standalone revenues stood at ~Rs2870cr (-50% yoy), with a PBT of ~Rs140cr (-65% yoy).
- Standalone earnings impacted by suspension of operations at Mundra.

(GW: Giga Watt, P/E: Price to Earnings, P/B: Price to Book Value, SoTP: Sum of the parts, TBCB: Tariff-Based Competitive Bidding, PBT: Profit Before tax, EPC: Engineering Porcurment & Construction)



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Holding Period: 12 months

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