

Week Gone

- ⇒ The International Monetary Fund (IMF) on Tuesday, 26 January 2021 raised its forecast for global economic growth in 2021 and said the coronavirus-triggered downturn in 2020 would be almost a full percentage point less severe than expected.
- ⇒ Japan's industrial output extended declines in December as factories struggled with a hit to demand from expanded COVID-19 lockdown measures globally
- ⇒ The U.S. Federal Reserve left its benchmark interest rate anchored near zero following the conclusion of its two-day meeting Wednesday. The Fed also said it will keep buying at least \$120 billion of bonds a month.

Week Ahead

- ⇒ Auto stocks will be in focus as auto companies will start announcing monthly sales numbers for January starting from 1 February 2021.
- ⇒ Hero MotoCorp, HPCL, NTPC and State Bank of India will announce results for quarter Q3FY21 on 4 February 2021.

Technical Overview

Index closed with a loss of 5.13% at 13635. Index opened this week on a flat note and remained under pressure throughout the week closing near the lows and with deep cuts. Post formation of two consecutive indecisive candlesticks, index has witnessed profits booking heavily and formed bearish candlestick pattern which suggest recent peak to act strong resistance. Going ahead index has an immediate support around 13500, failure to hold this support would attract fresh selling pressure and drag index lower till 13450-13380. On the higher side resistance is seen at 13700-13770-13900.



Source: Falcon, BP Equities Research



Weekly Wealth

DOMESTIC INDICES

Index	29-Jan-21	22-Jan-21	Weekly % Chg
Nifty	13,635	14,372	-5.1
Nifty Next 50	31,743	33,339	-4.8
Nifty 100	13,743	14,480	-5.1
Nifty 500	11,303	11,855	-4.7
Nifty Midcap 100	20,910	21,659	-3.5
Sensex	46,286	48,879	-5.3
BSE 100 Index	13,798	14,524	-5.0
BSE 200 Index	5,790	6,082	-4.8
BSE 500 Index	17,975	18,846	-4.6
BSE Mid-Cap	18,082	18,762	-3.6
BSE Small Cap	17,988	18,422	-2.4

NIFTY TOP GAINERS (WEEKLY)

Scrip	29-Jan-21	22-Jan-21	Weekly % Chg
Grasim	1,055.7	1,004.0	5.1
Axis Bank Ltd.	662.9	644.5	2.9
Cipla	825.9	808.3	2.2
Sun Pharma	586.2	575.2	1.9
ICICI Bank	537.0	533.8	0.6

NIFTY TOP LOSERS (WEEKLY)

Scrip	29-Jan-21	22-Jan-21	Weekly % Chg
Maruti Suzuki India	7,206.7	8,048.9	-10.5
Reliance Inds.	1,842.0	2,049.6	-10.1
Tata Motors Ltd.	262.7	289.4	-9.2
Dr. Reddy's Labs	4,602.7	5,036.9	-8.6
HDFC	2,377.8	2,589.5	-8.2

WORLD INDICES

Index	29-Jan-21	22-Jan-21	Weekly % Chg
Nikkei Index	27,663	28,632	-3.4
Hang Seng Index	28,284	29,448	-4.0
Kospi Index	2,976	3,141	-5.2
Shanghai SE Composite	3,483	3,607	-3.4
Strait Times Index	2,902	2,992	-3.0
Dow Jones	30,603	31,176	-1.8
NASDAQ	13,337	13,531	-1.4
FTSE	6,432	6,677	-3.7

FOREX

Currency	29-Jan-21	22-Jan-21	Weekly % Chg
US\$ (Rs.)	72.9	73.2	-0.2
GBP (Rs.)	99.7	99.5	0.5
Euro (Rs.)	88.9	86.5	-0.3
Yen (Rs.) 100 Units	70.0	71.0	0.0

FII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
29-Jan-21	11,875.0	17,805.6	-5,930.7
28-Jan-21	8,493.9	12,206.4	-3,712.5
27-Jan-21	11,236.7	12,925.0	-1,688.2
25-Jan-21	8,423.3	9,188.6	-765.3
<u>MTD</u>	168,241.4	159,260.6	8,980.8

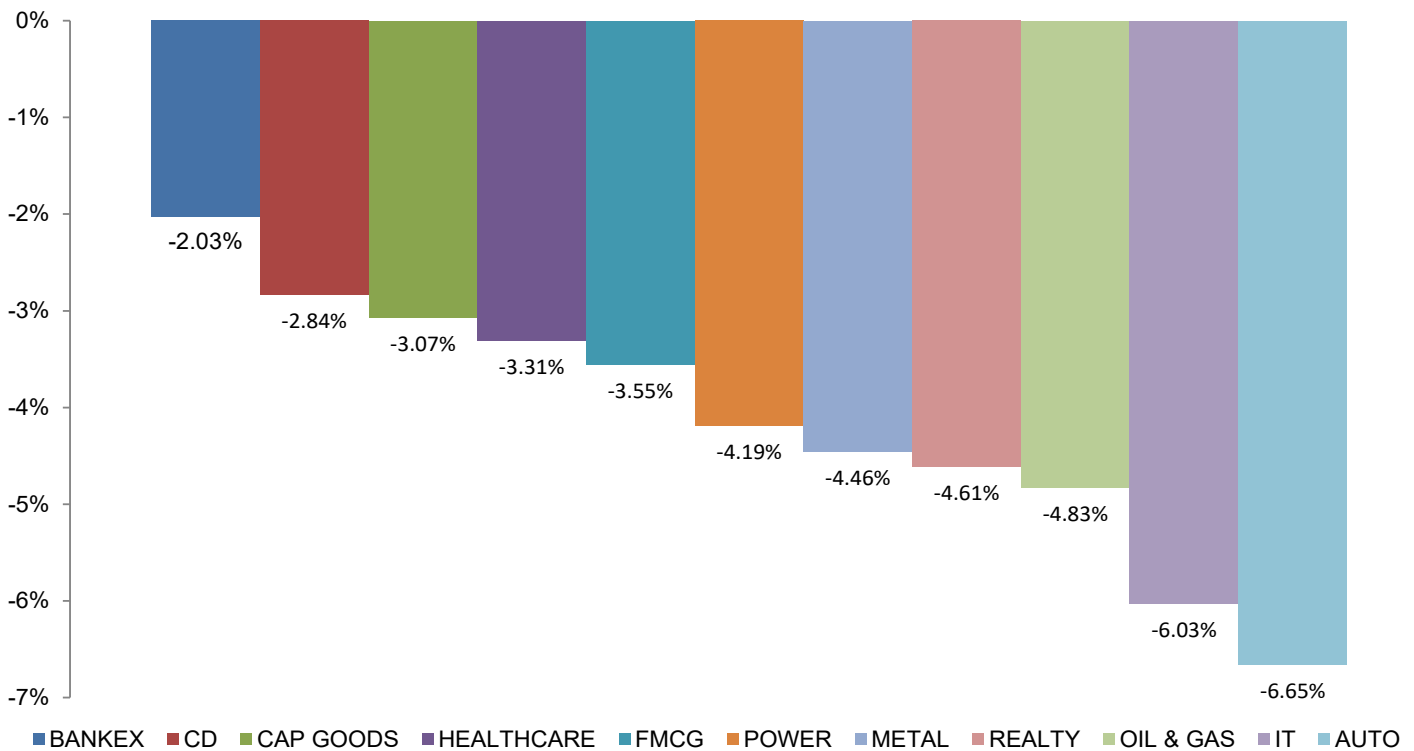
DII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
29-Jan-21	4,496.9	7,106.9	-2,610.1
28-Jan-21	4,792.7	7,165.2	-2,372.5
27-Jan-21	4,815.7	5,805.2	-989.5
25-Jan-21	5,686.0	6,066.4	-380.4
<u>MTD</u>	75,641.0	90,110.2	-14,469.2

Weekly Wealth

BSE WEEKLY SECTORAL PERFORMANCE



Source: BSE, BP Equities Research

TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	29-Jan-21	22-Jan-21	Weekly % Chg	29-Jan-21	22-Jan-21	Weekly % Chg
	Share Price (Rs.)			Open Interest		
GRASIM	1061.35	1005.25	5.6	17644350	4456450	295.9
JSWSTEEL	368.8	376.25	-2.0	34138800	14023800	143.4
SRTRANSFIN	1297.5	1151.35	12.7	4939200	2791200	77.0
BIOCON	373.5	394.9	-5.4	18726600	10724900	74.6
INDUSINDBK	850.5	891.25	-4.6	16984800	9757800	74.1

TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	29-Jan-21	22-Jan-21	Weekly % Chg	29-Jan-21	22-Jan-21	Weekly % Chg
	Share Price (Rs.)			Open Interest		
COFORGE	2392.9	2496.65	-4.2	523875	690000	-24.1
POWERGRID	184.75	194.3	-4.9	12792000	16840000	-24.0
BALKRISIND	1598.4	1682.3	-5.0	1248000	1637200	-23.8
UBL	1276.95	1248.45	2.3	1455300	1845200	-21.1
BOSCHLTD	15406.8	15680.6	-1.7	71300	87450	-18.5

Company Background

The Tata Power Company Limited is engaged in the areas of generation, transmission, distribution-cum-retail, power trading, power services, coal mines, and logistics, strategic engineering for defense applications, solar photovoltaic (PV) manufacturing, and engineering, procurement and construction (EPC) services. Its segments include Power, Coal and Others. The Power segment includes generation, transmission, distribution and trading of electricity. The Coal segment includes mining and trading. The others segment includes defense engineering, solar equipment, project contracts/infrastructure management services, investment, shipping, and property development. Moreover, it has an operational generation capacity of approximately 9,180 megawatts based on various fuel sources, such as thermal (coal, gas, and oil), hydroelectric power, renewable energy (wind and solar PV) and waste heat recovery.

Investment Rationale

Robust player with diversified revenue stream

Tata Power is a robust player in the power sector. Its presence across the value chain of the power sector (generation, transmission and distribution, power trading, as well as fuel supply enables to offset the project-specific issues and helps in achieving operating efficiencies with a better working capital management. The company had around 10.8 gigawatts (GW) capacity (excluding 1,980 MW of Prayagraj), including its thermal and clean energy generation businesses that include around 2.6 GW of renewable energy capacity through its subsidiaries i.e Tata Power Renewables Energy Ltd (TPREL) and Walwhan Renewable Energy Ltd (WREL). Moreover, all its operational projects have tied-up power purchase agreements (PPA) around 97% of the operational portfolio have signed 25-year PPAs which enables to provide revenue visibility.

Strong position across its business verticals to augur well

Company derives a major portion of revenue from regulated businesses such as power generation and distribution in Mumbai, power distribution in New Delhi, the 1,050 MW capacity of MPL, and its transmission businesses. Going ahead, distribution licenses for Delhi and Mumbai has been extended for another 19 years and 9 years respectively. The PPA of the power generation business for Mumbai (Trombay assets for around 930 MW), is valid till fiscal 2024, and subject to renewal risk. The overall proportion of cash flows from the regulated businesses are expected to increase over the medium term mainly due to the focus on adding new licenses in the distribution sector, coupled with regulated capex in its existing generation, transmission and distribution assets and divestment to an Infrastructure investment trust (InvIT) InvIT for its renewable portfolio leading to the higher mix of regulated businesses.

Valuation and Outlook

Tata Power's strong market position as an integrated power player company has reflected by its significant and diversified presence in the generation, transmission, distribution, and renewable space. Company's strategic focus on deleveraging and restructuring the balance sheet, Mundra Tariff resolution, Odisha Discom acquisition would help to achieve future growth prospects. On the valuation front, we value the company based on the SOTP method and recommend a BUY rating on this stock with a price target of INR 92 (22% upside from CMP) with a 12 months investment horizon.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (INR)	75
Target Price (INR)	92
NSE Symbol	TATAPOWER
BSE Code	500400
Bloomberg	TPWR IN
Reuters	TTPW.BO

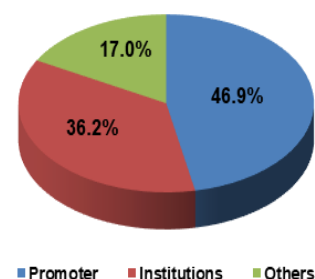
Key Data

Nifty	14,371
52WeekH/L(INR)	88/27
O/s Shares (Mn)	3195.3
Market Cap (INR bn)	422.9
Face Value (INR)	1

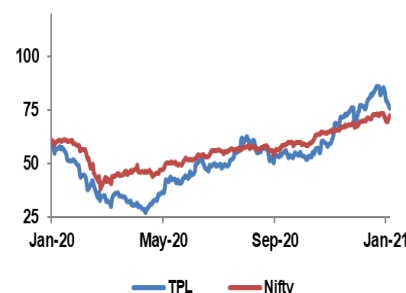
Average volume

3 months	340,76,470
6 months	315,17,125
1 year	288,18,423

Share Holding Pattern (%)



Relative Price Chart



Weekly Wealth

Key Financials

YE March (INR Mn)	FY18	FY19	FY20	FY21E	FY22E
Revenue	2,71,270	3,00,247	2,94,801	3,18,680	3,46,724
<i>Revenue Growth (Y-o-Y)</i>	<i>(3.6%)</i>	<i>10.7%</i>	<i>(1.8%)</i>	<i>8.1%</i>	<i>8.8%</i>
EBIDTA	58,164	62,169	70,415	67,242	77,319
<i>EBIDTA Growth (Y-o-Y)</i>	<i>6.2%</i>	<i>6.9%</i>	<i>13.3%</i>	<i>(4.5%)</i>	<i>15.0%</i>
Net Profit	24,083	23,562	10,174	9,879	12,482
<i>Net Profit Growth (Y-o-Y)</i>	<i>168.6%</i>	<i>(2.2%)</i>	<i>(56.8%)</i>	<i>(2.9%)</i>	<i>26.3%</i>
Diluted EPS	7.5	7.4	3.2	3.1	3.9
<i>Diluted EPS Growth (Y-o-Y)</i>	<i>168.6%</i>	<i>(2.2%)</i>	<i>(56.8%)</i>	<i>(2.9%)</i>	<i>26.3%</i>

Key Ratios

EBIDTA margin (%)	21.4%	20.7%	23.9%	21.1%	22.3%
NPM (%)	8.9%	7.8%	3.5%	3.1%	3.6%
RoE (%)	14.7%	12.9%	5.2%	4.9%	6.0%
RoCE (%)	8.9%	9.3%	10.4%	9.8%	11.2%

Valuation Ratios

P/E (x)	10.2x	10.4x	24.1x	24.8x	19.6x
EV/EBITDA	12.4x	11.6x	10.1x	10.5x	9.2x
P/BV (x)	1.5x	1.3x	1.3x	1.2x	1.2x
Market Cap. / Sales (x)	0.9x	0.8x	0.8x	0.8x	0.7x

Source: Company, BP Equities Research



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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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