

Project wins and pipeline picking pace...

About the stock: Powergrid is India's largest power transmission utility with transmission lines of 178975 ckt km and 543961 MVA of transformation capacity.

- Powergrid transmits about 45% of the total power generated in India on its transmission network
- It also undertakes transmission related consultancy to more than 150 domestic clients and owns & operates ~100,000 km of telecom network

Q2FY25 performance: On the operational front, Standalone revenue declined 1.5% YoY to Rs 10260.1 crore. From a segmental perspective, core transmission revenue stood at 10273 crore down 2% given past couple of quarters have seen tepid asset addition. EBITDA came in at Rs 8787 crore down 4.6% on back of muted revenues and 29.9% YoY increase in other expenses. Consequently, PAT came in at Rs 3711 crore down 2.2% YoY. The company declared final dividend of Rs 4.5 per share as 1st interim dividend for FY25.

Investment Rationale

- **Strong project wins to lead to resumption of growth:** In terms of project wins, the company has started FY25 on a very encouraging trend. YTD FY25 the company has won orders in excess of ₹ 50000 crore while total tariff aggregating at ₹ 7200 crore. The company has projects to the tune of >₹ 143000 crore in hands which will be executed over a period of 3-4 years and set the earnings trajectory back on growth path. The company commands 50% share in TBCB projects coupled with a strong pipeline of tendering in the offing, we believe the company is in a sweet spot to bag large projects over the next 2-3 years.
- **Capex to accelerate from FY26E onwards:** As of H1FY25, the company has incurred a capex of ₹ 10000 crore and will easily achieve its ₹ 18000 crore capex guidance for FY25. Given strong project wins in H1FY25 and tailwinds in the power transmission space, the company expects a capex of ₹ 25-30000 crore for FY26E which will further scaled upto ₹ 35-40000 crore from FY27E onwards thereby ensuring strong earnings profile.

Rating and Target Price

- Strong project wins in H1FY25E and strong sectoral tailwind coupled with a dominating market share of the company in project wins will put floor to tepid performance of the company. We rate the company as BUY rating, target being pegged at ₹ 395 per share (based on 22x FY27E PE).



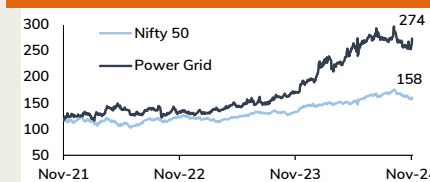
Particulars

| Particular | Rs. in crore |
|-------------------------|--------------|
| Market Cap | 3,15,430.0 |
| H1FY25 Gross Debt | 1,22,499.3 |
| H1FY25 Cash | 3,751.5 |
| EV | 4,34,177.8 |
| 52 Week H/L (Rs./share) | 366/208 |
| Equity Capital | 9300.6 |
| Face Value (Rs./share) | 10.0 |

Shareholding pattern

| | Dec-23 | Mar-24 | Jun-24 | Sep-24 |
|----------|--------|--------|--------|--------|
| Promoter | 51.3 | 51.3 | 51.3 | 51.3 |
| FII | 30.5 | 29.8 | 28.7 | 28.3 |
| DII | 14.8 | 15.3 | 16.3 | 16.9 |
| Public | 3.4 | 3.6 | 3.6 | 3.5 |

Price Chart



Key risks

- Slowdown in power demand
- Delay in execution of renewable capacity.

Research Analyst

Chirag J Shah
shah.chirag@icicisecurities.com

Samarth Khandelwal
samarth.khandelwal@icicisecurities.com

Key Financial Summary

| Particulars (₹ crore) | FY21 | FY22 | FY23 | FY24 | 3 year CAGR (FY21-24) | FY25E | FY26E | FY27E | 3 year CAGR (FY24-FY27E) |
|-----------------------|---------|---------|---------|---------|-----------------------|---------|---------|---------|--------------------------|
| Revenues | 37665.7 | 39928.1 | 42098.8 | 43280.3 | 4.7% | 45489.6 | 48553.6 | 52366.9 | 6.6% |
| EBITDA | 33055.9 | 34921.7 | 36838.2 | 38670.6 | 5.4% | 40483.2 | 43293.0 | 47001.3 | 6.7% |
| EBITDA Margin (%) | 87.8 | 87.5 | 87.5 | 89.3 | | 89.0 | 89.2 | 89.8 | |
| Net Profit | 11935.8 | 17093.8 | 15805.4 | 16719.8 | 11.9% | 17989.3 | 19691.9 | 21881.8 | 9.4% |
| EPS (₹) | 24.9 | 25.5 | 22.7 | 12.8 | | 19.3 | 21.1 | 23.5 | |
| P/E (x) | 14.6 | 10.2 | 14.7 | 18.5 | | 17.2 | 15.7 | 14.2 | |
| Price / Book (x) | 2.6 | 2.4 | 2.9 | 3.6 | | 3.3 | 3.1 | 2.8 | |
| RoCE (%) | 10.3 | 10.2 | 11.5 | 12.1 | | 7.7 | 8.4 | 8.7 | |
| RoE (%) | 11.0 | 10.9 | 11.9 | 13.6 | | 19.0 | 19.2 | 19.7 | |

Key Result highlights

- The asset capitalisation stood at ₹ 4006 crore as of H1FY25 while the same for Q2FY25 stood at ₹ 1686 crore.
- The company has won 8 projects in Q2FY25 and additional 4 projects in Q3FY25E. Total tariff for these projects is ₹ 7200 crore whereas the expected project cost is over ₹ 50000 crore.
- Power Grid has won Khavda Phase-V (8 GW): Part A project with estimated cost of Rs 25000 crore
- The Capex for H1FY25 stood at ₹ 10000 crore. The company expects full year FY25 capex to exceed Rs 20000 crore. The increase in capex is on account of strong project wins in Q2FY25.
- The company is expected to ramp up capex and commission over the next 3-5 years with capex estimated at a run-rate of ₹ 35000-40000 crore from FY27 onwards.
- The current debt on the balance sheet as of Q2FY25 stood at ₹ 122500 crore vs. ₹120710 crore in Q2FY24. The gross block and CWIP as of Q2FY25 stood at ₹ 278983 crore and ₹ 25391 crore. The equity infused in operational TBCB projects stood at ₹ 4040 crore while equity in under construction TBCB projects stands at ₹ 430 crore.
- Power Grid expects to maintain market share of over 50-60% in project wins resulting in strong opportunity.
- Work in hand stands at ₹ 143000 crore which comprises of RTM at ₹ 8900 crore, new RTM at ₹ 38000 crore and TBCB at ₹ 93100 crore.

Key Financials

Exhibit 1: Profit and loss statement ₹ crore

| (Year-end March) | FY24 | FY25E | FY26E | FY27E |
|---------------------------|--------|--------|--------|--------|
| Total operating Income | 43,280 | 45,490 | 48,554 | 52,367 |
| Growth (%) | 27 | 5 | 7 | 8 |
| Employee Expenses | 2,111 | 2,235 | 2,282 | 2,442 |
| Other expenses | 2,499 | 2,772 | 2,978 | 2,923 |
| Total Operating Expenditu | 4,610 | 5,006 | 5,261 | 5,366 |
| EBITDA | 38,671 | 40,483 | 43,293 | 47,001 |
| Growth (%) | 32 | 5 | 7 | 9 |
| Depreciation | 13,710 | 14,502 | 15,295 | 16,087 |
| Interest | 8,295 | 8,198 | 8,455 | 8,710 |
| Other Income | 3,531 | 3,708 | 3,893 | 3,893 |
| PBT | 20,197 | 21,491 | 23,436 | 26,098 |
| Others | 2 | 3 | 4 | 5 |
| Total Tax | 3,089 | 2,711 | 2,155 | 2,722 |
| PAT | 16,720 | 17,989 | 19,692 | 21,882 |
| Growth (%) | 10 | 43 | -8 | 6 |
| EPS (₹) | 18.0 | 19.3 | 21.1 | 23.5 |

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

| (Year-end March) | FY24 | FY25E | FY26E | FY27E |
|--------------------------------|---------|---------|---------|---------|
| Profit Before Tax | 19,441 | 20,917 | 22,897 | 25,444 |
| Add: Depreciation | 13,710 | 14,502 | 15,295 | 16,087 |
| (Inc)/dec in Current Assets | -3,313 | -949 | -3,546 | -1,969 |
| Inc/(dec) in CL and Provisions | 4,902 | -1,171 | -1,937 | 8,202 |
| Others | 6,390 | 6,148 | 6,211 | 6,216 |
| CF from operating activities | 41,129 | 39,448 | 38,921 | 53,979 |
| (Inc)/dec in Fixed Assets | -20,140 | -20,140 | -20,140 | -20,141 |
| (Inc)/dec in Disposals | 21 | 20 | 19 | 18 |
| Others | 0 | 1 | 2 | 3 |
| CF from investing activities | (20119) | (20119) | (20119) | (20119) |
| Issue/(Buy back) of Equity | 2,336 | 0 | 0 | 0 |
| Inc/(dec) in loan funds | -12,071 | -2,012 | 4,024 | 4,024 |
| Dividend paid & dividend tax | -10,032 | -10,793 | -11,815 | -13,129 |
| Inc/(dec) in Sec. premium | 0 | 1 | 2 | 3 |
| Others | -8,295 | -8,198 | -8,455 | -8,710 |
| CF from financing activities | (28062) | (21002) | (16244) | (17811) |
| Net Cash flow | 233 | 4,683 | -6,028 | 11,078 |
| Opening Cash | 4,445 | 457 | 1,492 | 1,197 |
| Closing Cash | 457 | 1492 | 1197 | 5592 |

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

| (Year-end March) | FY24 | FY25E | FY26E | FY27E |
|----------------------------|----------|----------|----------|----------|
| Liabilities | | | | |
| Equity Capital | 9,311 | 9,311 | 9,311 | 9,311 |
| Reserve and Surplus | 78,143 | 85,338 | 93,215 | 1,01,968 |
| Total Shareholders funds | 87,453 | 94,649 | 1,02,526 | 1,11,278 |
| Total Debt | 1,40,129 | 1,38,117 | 1,42,141 | 1,46,165 |
| AAD | 0 | 0 | 0 | 0 |
| Minority Interest / Others | 3,827 | 3,827 | 3,827 | 3,827 |
| Total Liabilities | 231409 | 236593 | 248494 | 261271 |
| Assets | | | | |
| Gross Block | 3,31,113 | 3,50,254 | 3,69,394 | 3,88,535 |
| Less: Acc Depreciation | 1,23,043 | 1,37,545 | 1,52,839 | 1,68,926 |
| Net Block | 2,08,071 | 2,12,709 | 2,16,555 | 2,19,608 |
| Capital WIP | 59,810 | 60,810 | 61,810 | 62,810 |
| Total Fixed Assets | 2,67,881 | 2,73,519 | 2,78,365 | 2,82,419 |
| Investments | 1,313 | 1,293 | 1,273 | 1,255 |
| Inventory | 1,585 | 1,646 | 1,707 | 1,765 |
| Debtors | 8,229 | 9,189 | 14,884 | 11,540 |
| Loans and Advances | 10,199 | 10,811 | 11,399 | 6,492 |
| Other Current Assets | 4,520 | 4,791 | 5,052 | 4,328 |
| Cash | 457 | 1,492 | 1,197 | 5,592 |
| Total Current Assets | 24,990 | 27,929 | 34,239 | 29,717 |
| Current liabilities | 45,394 | 46,822 | 39,571 | 36,608 |
| Other Liabilities | 8,185 | 8,672 | 9,176 | 9,680 |
| Total Current Liabilities | 53,579 | 55,494 | 48,747 | 46,289 |
| Net Current Assets | -33,107 | -32,082 | -19,026 | -21,089 |
| Others Assets | | | | |
| Application of Funds | 231409 | 236593 | 248494 | 261271 |

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

| (Year-end March) | FY24 | FY25E | FY26E | FY27E |
|------------------------------|------|-------|-------|-------|
| Per share data (₹) | | | | |
| EPS | 18.0 | 19.3 | 21.1 | 23.5 |
| Cash EPS | 43.6 | 46.6 | 50.2 | 54.4 |
| BV | 93.9 | 101.7 | 110.1 | 119.5 |
| DPS | 7.5 | 14.7 | 13.6 | 14.4 |
| Cash Per Share | 0.7 | 2.1 | 1.7 | 8.0 |
| Operating Ratios (%) | | | | |
| EBITDA Margin | 89.3 | 89.0 | 89.2 | 89.8 |
| PBT / Total Operating income | 46.7 | 47.2 | 48.3 | 49.8 |
| PAT Margin | 38.6 | 39.5 | 40.6 | 41.8 |
| Debtor days | 69.4 | 73.7 | 111.9 | 80.4 |
| Return Ratios (%) | | | | |
| RoE | 19.1 | 19.0 | 19.2 | 19.7 |
| RoCE | 6.7 | 7.7 | 8.4 | 8.7 |
| RoIC | 6.7 | 7.7 | 8.5 | 8.9 |
| Valuation Ratios (x) | | | | |
| P/E | 18.8 | 17.5 | 16.0 | 14.4 |
| EV / EBITDA | 11.7 | 11.1 | 10.5 | 9.7 |
| EV / Net Sales | 10.5 | 9.9 | 9.4 | 8.7 |
| Market Cap / Sales | 7.3 | 6.9 | 6.5 | 6.0 |
| Price to Book Value | 3.6 | 3.3 | 3.1 | 2.8 |
| Solvency Ratios | | | | |
| Debt/EBITDA | 3.6 | 3.4 | 3.3 | 3.1 |
| Debt / Equity | 1.6 | 1.5 | 1.4 | 1.3 |
| Current Ratio | 0.5 | 0.5 | 0.7 | 0.6 |
| Quick Ratio | 0.0 | 0.0 | 0.0 | 0.1 |

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal
Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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