

Power Grid Corporation of India

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR315 TP: INR426 (+36%) BUY

Steady quarter; capex upcycle continues

Bloomberg	PWGR IN
Equity Shares (m)	9301
M.Cap.(INRb)/(USDb)	2941.3 / 34.9
52-Week Range (INR)	366 / 206
1, 6, 12 Rel. Per (%)	0/-4/29
12M Avg Val (INR M)	5448

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	452.7	484.5	509.7
EBITDA	393.3	416.1	431.5
Adj. PAT	155.7	163.1	171.5
Adj. EPS (INR)	16.7	17.5	18.4
EPS Gr. (%)	1.0	4.7	5.2
BV/Sh.(INR)	93.6	97.2	100.5

Ratios

Net D:E	1.4	1.3	1.2
RoE (%)	18.3	18.4	18.7
RoCE (%)	10.0	10.4	10.8
Payout (%)	67.2	68.4	70.5

Valuations

P/E (x)	18.8	17.9	17.1
P/BV (x)	3.4	3.2	3.1
EV/EBITDA (x)	10.4	9.4	8.8
Div. Yield (%)	3.6	3.8	4.1
FCF Yield (%)	8.8	13.5	11.1

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	51.3	51.3	51.3
DII	16.9	16.3	13.2
FII	28.3	28.7	32.0
Others	3.5	3.6	3.4

FII Includes depository receipts

- Power Grid (PWGR)'s 2QFY25 reported standalone (SA) PAT was in line with our estimate at INR37.1b (-3% YoY). On a consolidated basis, reported PAT was flat YoY at INR37.9b. In the analyst meet, 1) FY25 capex guidance was increased marginally to INR200b (INR180b previously), 2) capex and capitalization guidance for FY26 was INR250-300b while capitalization for FY27 was guided at INR400b, 3) PWGR highlighted that assuming a ~50% win rate, it could secure INR1.92t in upcoming project bids under NEP 2032, in addition to its current INR1.43t order book, implying a minimum cumulative capex of INR3t by 2032. Of the current order book, ~32% is from RTM projects, where the company earns a healthy 15% ROE.
- Following 2QFY25 results, we moderate our FY25 PAT estimate marginally (-4%) due to 1H consolidated capitalization (INR40b), trailing previously provided guidance of INR140-150b. PWGR declared an interim dividend of INR4.50 per share for FY25. We are building in FY25 DPS of INR 12, which is expected to rise to INR13.5 by FY27.
- In the analyst meet, PWGR management highlighted a total capex potential of INR6.6t in Inter-State Transmission Systems, where PWGR holds a leading 50-60% market share. Management also highlighted six upcoming HVDC projects and three cross-border linkage projects (India-Bangladesh, India-Myanmar, and India-Sri Lanka), in which PWGR remains well placed to compete and execute. As such, we believe capex and capitalization should continue on an upward trajectory in the coming years. PWGR is trading at FY27 PB of 3x with a dividend yield of 4.3%, which we think is attractive. We reiterate our BUY rating on the stock with a TP of INR426.

Steady 2Q; in line with expectations

- PWGR reported SA revenue for 2QFY25 at INR102b (+5% YoY), 2% below our estimate of INR104b. EBITDA came in at INR87.8b (+3% YoY), ~4% below our est. of INR91.3b, impacted by a sharp rise in opex.
- Reported SA PAT was in line with our est. and stood at INR37.1b. Adjusted SA PAT of INR35b (+5% YoY) was 3% lower than our est. of INR36.2b. On a consolidated basis, reported PAT came in at INR37.9b (flat YoY) and EBITDA was up 2% YoY at INR99b.
- The transmission segment accounted for 97.7% of consol. EBIT of INR69b, whereas the telecom segment contributed 2%, with its EBIT rising to INR1.4b (+33% YoY, +87% QoQ).
- In 2QFY25, its JVs reported a loss of INR1,046m, compared to a profit of INR290m in 1QFY25.
- In 1HFY25, on a YoY basis, net sales grew 1.7% to INR203b, EBITDA was flat at INR175b but APAT fell 2.3% to INR69.6. In 2HFY25, we expect net sales/EBITDA to increase 3.1%/3.5% YoY but PAT to fall 9% YoY.
- In 1HFY25, SA capex was INR28b, while consol. capex was INR90.3b.

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- Other key details:
- During the quarter, net movement in regulatory deferral account balances was positive INR2.4b.
- The board declared the first interim dividend of INR4.50/share for FY25.

Highlights of the 2QFY25 performance:

- PWGR emerged as the L1 bidder for 8 ISTS TBCB projects during 2QFY25 (levelized tariff: INR54.7b).
- Project Execution and Financial Performance:
 - Capex stood at INR53.8b on a consolidated basis and INR17.2b on a standalone basis.
 - The company capitalized INR16.8b on a consolidated basis and INR8.2b on a standalone basis.
 - Added 405ckm of transmission lines and 8,515MVA of transformation capacity.
 - The transmission system had an availability rate of 99.8%, reflecting high operational efficiency.
 - The reliability rate was 0.17 trippings per line.
 - On a standalone basis, the average borrowing cost was 7.73%.
- Telecom Division Highlights:
 - The telecom division successfully added 13 new customers during the quarter and reported an income of INR2.6b.

Valuation and view

We derive the TP of INR426 for PWGR based on Dec'26E EBITDA and an EV/EBITDA multiple of 11x, which we think is reasonable, though at the higher end of the historical range.

Standalone Quarterly Performance

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		2QE	%	
Sales	1,02,446	97,440	1,06,766	1,10,505	1,00,682	1,02,601	1,11,110	1,12,817	4,18,267	4,27,283	1,04,359	-2%
YoY Change (%)	-2.7	-6.6	-0.6	-2.2	-1.7	5.3	4.1	2.1	-2.5	2.2	7.1	
EBITDA	90,048	85,318	94,006	91,422	87,441	87,870	96,023	95,674	3,61,903	3,67,235	91,310	-4%
YoY Change (%)	1.4	-3.5	0.2	-9.0	-2.9	3.0	2.1	4.7	-2.8	1.5	7.0	
As of % Sales	87.9	87.6	88.0	82.7	86.8	85.6	86.4	84.8	86.5	85.9	87.5	
Depreciation	31,414	31,418	31,586	31,164	30,732	31,617	34,897	36,164	1,25,582	1,33,410	31,148	2%
Interest	21,214	23,891	25,156	20,208	21,601	26,046	25,319	18,090	90,469	91,056	23,494	11%
Other Income	6,436	7,864	7,910	12,032	7,822	11,233	8,157	8,099	34,242	35,310	8,109	39%
Extraordinary Inc / (Exp)	-2,860	5,561	1,123	-1,744	-610	2,469	0	0	2,081	1,858	0	
PBT	40,996	43,434	46,298	50,338	42,319	43,909	44,279	50,307	1,82,175	1,79,937	44,778	-2%
Tax	5,570	5,095	6,595	9,060	8,198	6,798	7,705	8,595	26,320	34,827	8,517	-20%
Effective Tax Rate (%)	13.6	11.7	14.2	18.0	19.4	15.5	17.4	17.1	14.4	19.4	19.0	
Reported PAT	35,427	38,340	39,702	41,278	34,122	37,112	36,575	41,712	1,54,746	1,45,111	36,261	2%
YoY Change (%)	-5.9	6.5	14.5	-0.9	-3.7	-3.2	-7.9	1.1	2.3	-6.2	-5.4	
Adjusted PAT	37,898	33,431	38,739	42,708	34,613	35,025	36,575	41,712	1,52,775	1,47,926	36,261	-3%
YoY Change (%)	0.6	-7.1	11.7	2.5	-8.7	4.8	-5.6	-2.3	1.0	-3.2	26.3	

PWGR valuation

Dec-26 EBITDA	INR b	447
EV/EBITDA multiple	(x)	11
EV	INR b	4,783
Net debt	INR b	819
Target Price	INR	426
CMP	INR	315
Upside / (Downside)	%	36%

Highlights from the analyst meet

■ Recent project wins:

- PWGR emerged as the L1 bidder in 8 ISTS TBCB projects (levelized tariff INR54.7b) in 2QFY25.
- It secured 8 out of 13 projects, which include 78% annual tariff and 75% and 62% of NCT cost and project wins, respectively.
- Further, the company emerged as an L1 bidder in 4 ISTS TBCB projects (secured 4 out of 6 projects) with a levelized tariff of INR17.3b in Oct-Nov'24 so far.

■ Project execution and financial performance in 2QFY25:

- Capex: INR53.8b (Consol. basis) and INR17.2b (SA basis).
- Capitalization: INR16.8b (Consol. basis) and INR8.2b (SA basis).
- 405ckm of transmission lines and 8,515MVA transformation capacity added.
- Transmission system availability: 99.8%.
- Reliability: 0.17 trippings per line.
- Average Borrowing Cost: 7.73% on SA basis.

■ Telecom division highlights:

- Customer Growth: Added 13 new customers.
- Financial Performance: Income for 2QFY25 was INR2.6b.

■ Capex guidance and work in hand:

- FY25 Capex Plan: INR180b (likely to increase to more than INR200b) with INR40.8b allocated to RTM projects, INR128b allocated to TBCB projects, and INR11b to other projects.
- INR250-300b capex and capitalization projection for FY26-27 and capitalization of INR400b for FY27.
- Work in Hand: INR1.43t, including INR930b for TBCB projects, INR88.9b for ongoing RTM projects, INR380b for new RTM projects, and INR33b for other projects.

■ Growth Outlook:

- Growth in the transmission network is attributable to the government's goal of 500 GW in non-fossil capacity + supporting the Green Hydrogen mission which requires 125 GW of renewable energy, necessitating additional connectivity requirements.
- One Sun One Grid Initiative: Expanding to Sri Lanka, Myanmar, Bangladesh, etc. is a growth driver for PWGR.
- As per the National Electricity Plan (NEP) 2032, a total of 159,338ckm of transmission lines and 1,135,115MVA of transformation capacity is planned for addition in Inter-State Transmission System (ISTS) and Intra-State Transmission System (InSTS) till March'32 from 2QFY25 end.
- Additionally, with the central government adjusting its transmission capex estimate to INR9.16t till FY32 as per NEP 2032, PWGR is strategically positioned to leverage these investments as the NEP represents a significant commitment to capacity expansion and the advancement of clean energy technologies.

■ Projects under bidding:

- Currently, ~INR840b worth of projects are under bidding. Additionally, as per NEP, new projects worth ~INR3t are yet to be bid out.
- Assuming a project win rate of ~50%, ~INR1.92t worth of projects are likely to be won by PWGR, in addition to the current work in hand of INR1.43t. Thus, the total value of projects expected to be executed by PWGR by 2032 could exceed INR3.35t.
- Therefore, PWGR highlighted that the outlook suggests a minimum capex of INR3t by 2032, reflecting strong growth prospects and a robust project pipeline.

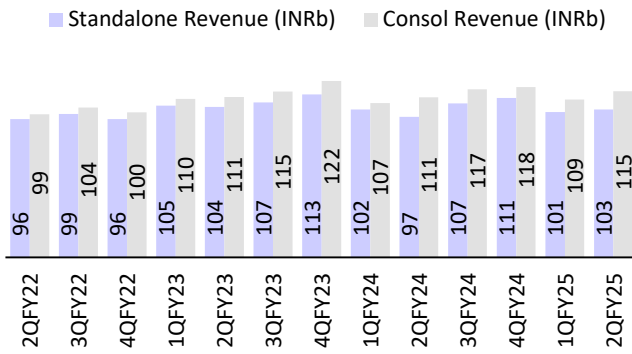
Exhibit 1: Major HVDC projects and cross-border links as per the NEP 2032 include:

Sr.No.	Planned HVDC Projects
1	Paradeep-Andaman HVDC Link [± 320 kV, 500MW HVDC (VSC)]
2	Khavda area of Gujarat under Phase-V (8 GW): Part C, ± 500 kV, 2500 MW (VSC) (KPS3-South Olpad) Transmission System for evacuation of additional RE power from Barmer-II (6 GW Solar): 6000MW ± 800 kV (LCC), Barmer II
3	– South Kalamb link
4	India – Sri Lanka 500 MW HVDC (VSC) link
5	Rajasthan (20GW) under Phase-III Part I, 6000MW ± 800 kV (LCC) (Bhadla-Fatehpur link)
6	6000 MW, ± 800 kV (LCC) Bikaner V– Begunia (Odisha) Link
7	NREL and Government of Gujarat for the development of 5 GW GH2 technologies
8	NGEL and RVUNL (Rajasthan Rajya Vidyut Utpadan Nigam Ltd.) for the development of Green Hydrogen and its derivatives
Sr.No.	Planned Cross-Border Links
1	India - Bangladesh 765 kV D/c link
2	Indian - Myanmar 400 kV D/c link
3	India - Sri Lanka 500 MW HVDC link

Source: Company, MOFSL

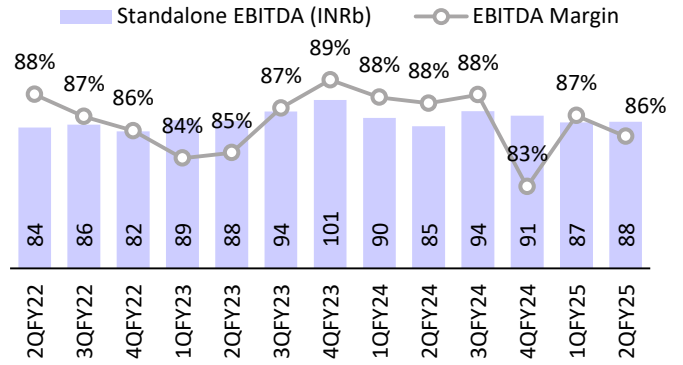
Story in charts – 2QFY25

Exhibit 2: Standalone & Consol. revenue



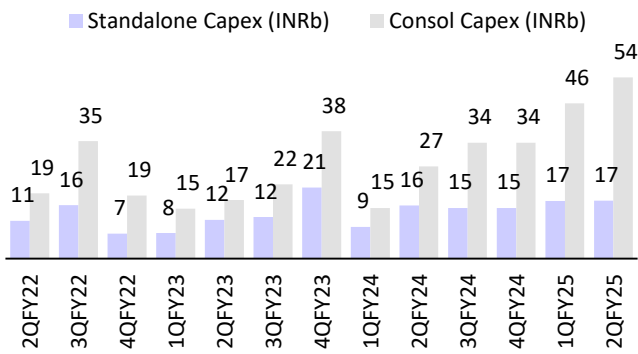
Source: Company, MOFSL

Exhibit 3: Standalone EBITDA & EBITDA Margin



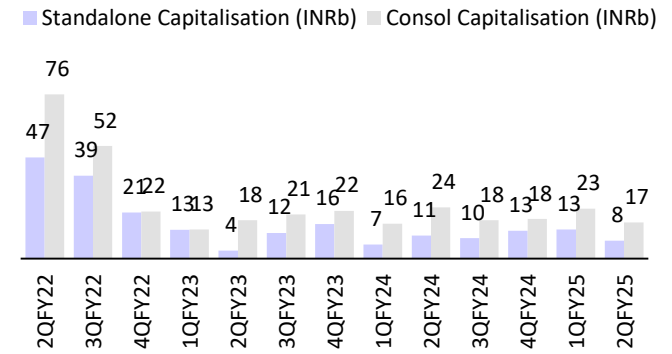
Source: Company, MOFSL

Exhibit 4: Standalone & Consol Capex



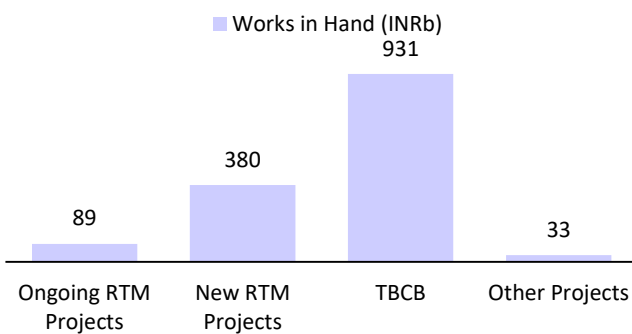
Source: Company, MOFSL

Exhibit 5: Standalone & Consol Capitalization



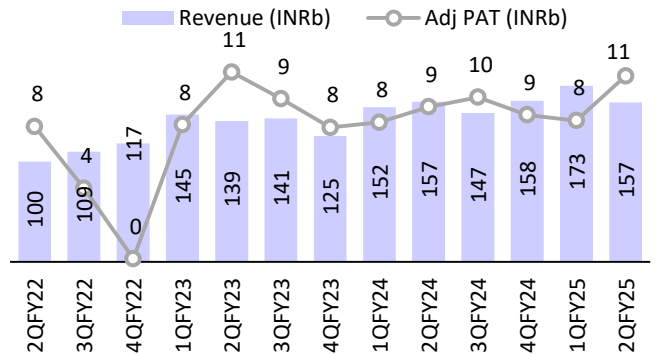
Source: Company, MOFSL

Exhibit 6: Works in hand (7th Nov)



Source: Company, MOFSL

Exhibit 7: Revenue growth from FY20-27E



Source: Company, MOFSL

Financials and valuations

Consolidated Income Statement

(INR m)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	4,58,517	4,52,717	4,84,535	5,09,697	5,41,506
Change (%)	11.6	-1.3	7.0	5.2	6.2
Gross Profit	4,58,517	4,52,717	4,84,535	5,09,697	5,41,506
EBITDA	3,97,485	3,93,315	4,16,140	4,31,483	4,52,225
% of Net Sales	86.7	86.9	85.9	84.7	83.5
Depreciation	1,33,334	1,30,953	1,40,284	1,47,382	1,57,388
Interest	96,339	87,728	88,315	87,286	86,825
Other Income	10,025	10,700	11,768	12,890	14,068
PBT before EO	1,77,837	1,85,335	1,99,310	2,09,705	2,22,080
EO income (expense)	0	0	1,858	0	0
PBT after EO	1,77,837	1,85,335	2,01,169	2,09,705	2,22,080
Tax	22,819	29,408	36,038	37,663	39,954
Rate (%)	12.8	15.9	17.9	18.0	18.0
Share of JVs and asso.	-821	-196	-500	-500	-500
Reported PAT	1,54,197	1,55,732	1,64,630	1,71,543	1,81,626
Adjusted PAT	1,54,197	1,55,732	1,63,105	1,71,543	1,81,626
Change (%)	10.3	1.0	4.7	5.2	5.9

Balance Sheet

(INR m)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	69,755	93,006	93,006	93,006	93,006
Reserves	7,60,391	7,77,480	8,10,984	8,41,718	8,77,094
Net Worth	8,30,145	8,70,486	9,03,990	9,34,724	9,70,100
Loans	12,65,949	12,34,486	11,62,526	11,11,985	10,79,386
Deferred Rev. & tax	2,08,424	1,94,910	1,94,910	1,94,910	1,94,910
Capital Employed	23,04,518	22,99,882	22,61,425	22,41,619	22,44,396
Gross Fixed Assets	27,01,123	27,71,367	30,16,762	32,75,797	35,87,025
Less: Depreciation	8,46,753	9,72,767	11,06,178	12,44,955	13,91,752
Net Fixed Assets	18,54,370	17,98,600	19,10,584	20,30,841	21,95,272
Capital WIP	1,37,723	1,72,453	1,12,929	1,05,121	61,063
Investments	34,891	54,159	54,159	54,159	54,159
Other Assets	4,75,971	5,24,023	6,43,217	7,06,054	7,56,884
Inventory	13,400	13,201	13,136	13,449	13,968
Debtors	1,36,945	1,17,262	1,17,262	1,19,657	1,24,242
Cash & Bank Balance	73,846	76,769	1,86,694	2,35,954	2,70,724
Other Current Assets	1,33,195	2,04,457	2,12,366	2,20,472	2,28,782
Loans & Advances	1,18,585	1,12,334	1,13,759	1,16,521	1,19,168
Other Liabilities	1,98,438	2,49,352	4,59,464	6,54,556	8,22,982
Net Current Assets	2,77,534	2,74,672	1,83,754	51,498	-66,097
Application of Funds	23,04,518	22,99,883	22,61,426	22,41,619	22,44,397

Financials and valuations

Ratios

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)					
EPS	16.6	16.7	17.5	18.4	19.5
Cash EPS	30.9	30.8	32.6	34.3	36.5
Book Value	89.3	93.6	97.2	100.5	104.3
DPS	11.1	11.3	12.0	13.0	13.5
Div.Payout (incl. Tax.)	66.7	67.2	68.4	70.5	69.1
Valuation (x)					
P/E	19.0	18.8	17.9	17.1	16.1
Cash P/E	10.2	10.2	9.6	9.2	8.6
EV/EBITDA	10.4	10.4	9.4	8.8	8.2
Price/Book Value	3.5	3.4	3.2	3.1	3.0
Dividend Yield (%)	3.5	3.6	3.8	4.1	4.3
Profitability Ratios (%)					
RoE	19.4	18.3	18.4	18.7	19.1
RoCE	10.3	10.0	10.4	10.8	11.3
RoIC	11.1	10.9	11.6	12.4	13.1
Turnover Ratios					
Debtors (Days)	109	95	88	86	84
Inventory (Days)	9	9	7	6	6
Current Liabilities (Days)	134	161	250	314	371
Asset Turnover (x)	0.2	0.3	0.3	0.3	0.2
Leverage Ratio					
Net Debt/EBITDA	3.0	2.9	2.3	2.0	1.8
Debt/Equity (x)	1.5	1.4	1.3	1.2	1.1

Cash Flow Statement

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
(INR m)					
PBT before EO Items	1,74,531	1,90,853	1,99,310	2,09,705	2,22,080
Depreciation	1,33,334	1,30,953	1,40,284	1,47,382	1,57,388
Interest	96,339	87,728	88,315	87,286	86,825
Others	869	-13,363	-11,768	-12,890	-14,068
(Inc)/Dec in WC	25,486	10,532	2,00,843	1,81,516	1,52,365
Direct Taxes Paid	-28,530	-33,807	-36,038	-37,663	-39,954
CF from Operations	4,02,029	3,72,895	5,80,946	5,75,336	5,64,636
(Inc)/Dec in FA	-82,426	-1,14,037	-1,85,871	-2,51,227	-2,67,170
FCF	3,19,602	2,58,858	3,95,074	3,24,110	2,97,466
(Pur)/Sale of Investments	11,044	-17,107	11,268	12,390	13,568
CF from Investments	-71,383	-1,31,144	-1,74,603	-2,38,837	-2,53,602
Equity raised	0	0	0	0	0
Others	-2,787	20,205	-24,535	-28,505	-31,283
(Inc)/Dec in Debt	-1,32,578	-53,168	-71,960	-50,541	-32,598
Interest Paid	-86,468	-93,677	-88,315	-87,286	-86,825
Dividend Paid	-85,449	-1,12,189	-1,11,607	-1,20,908	-1,25,558
CF from Fin. Activity	-3,07,282	-2,38,828	-2,96,417	-2,87,240	-2,76,264
Inc/Dec of Cash	23,364	2,923	1,09,925	49,260	34,770
Add: Beginning Balance	50,482	73,846	76,769	1,86,694	2,35,954
Closing Balance	73,846	76,769	1,86,694	2,35,954	2,70,724

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NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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