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# TORRENT POWER

PRESENTED TO  
FINANCE AND ECONOMICS CLUB IIT  
GUWAHATI

PRESENTED BY  
AYUSH ANAND

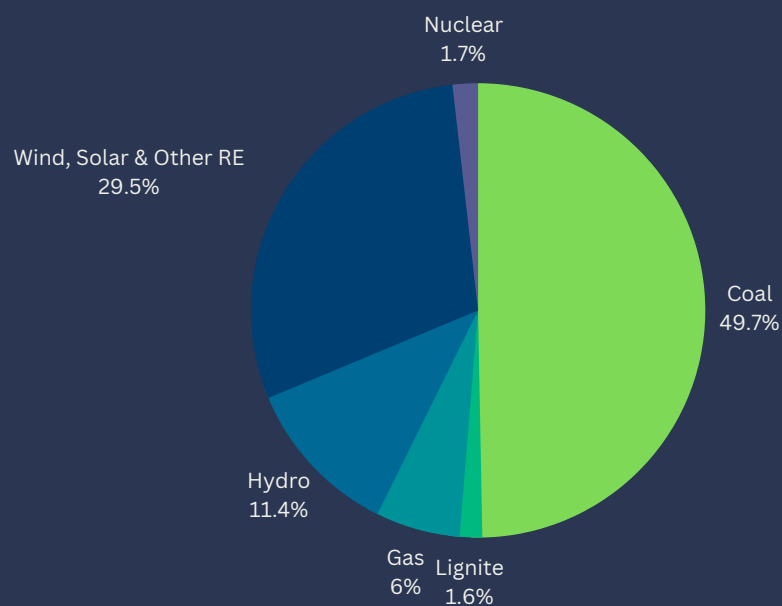


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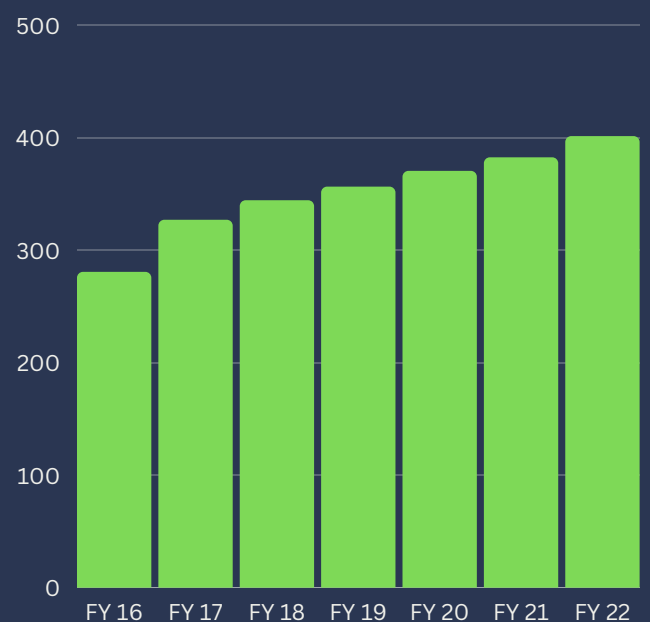
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# Sector Overview

India's power sector is one of the most diversified in the world . Sources of power generation range from conventional sources such as coal, lignite , natural gas, oil, hydro and nuclear power to non-conventional sources such as wind, solar, agriculture and domestic waste. India is the third-largest producer and consumer of electricity with a power capacity of 408.71MW as of October 2022. India's renewable energy capacity (including hydro) stood at 165.94 GW while solar energy contributed 61.62 GW, followed by 41.84 GW from wind power, 10.70 GW from biomass, 4.92 GW from small hydropower and 46.85 GW from hydropower.India witnesses a growth of 10.67% YoY with the electricity generation of 146.18 BU between April-Sepetember 2022. India was ranked 4th in wind power, 5th in wind power and 4th in renewable power installed capacity, as of 2020. During FY10-22, electricity generation in India increased at a CAGR of 5.23%.The Central Electricity Authority (CEA) estimates India’s power requirement to grow to reach 817 GW by 2030.



installed capacity by source in utility sector as on 13 Jan 2023



Installed electricity generation capacity (GW)

# GROWTH DRIVERS

## Growing Demand

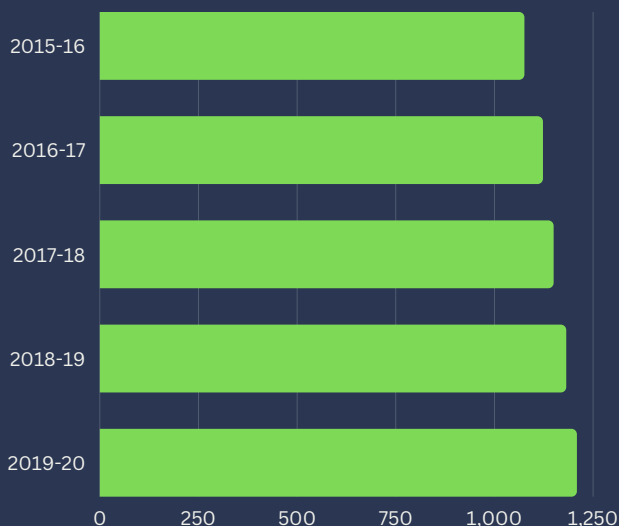
- Growing population along with increase electrification and per-capita usage.
- Expansion in industry activity has led to boost in electricity demand. India is ranked 6th in the list to countries to make significant investments in clean energy.

## Opportunities

- In the Union Budget 2022-23 the government allotted Rs 19,500 crore for PLI scheme to boost manufacturing of high-efficiency solar modules.
- Government of India is looking forward to meet renewable energy target for which Ministry of Power has identified 81 thermal units which will replace coal with renewable energy generation by 2026.

## Policy Support

- Relaxed FDI norms and increased electrification with the support of various government schemes.



Per-capita electricity consumption  
(KWh)

## Challenges

- Low access to modern energy
- Heavy dependence on fossil fuels with untapped renewable energy potential
- Sustainability and climate change consideration

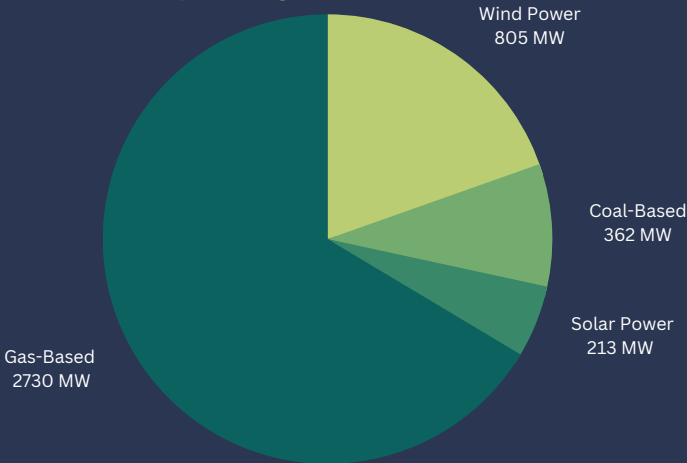
# Company Overview

Torrent power is a Indian energy and power company having its presence in power generation, transmission, distribution and manufacturing of high-quality power cables. Torrent Power has a market capital of Rs 23642 crore is a MidCap company and is a part of Nifty Midcap 100. The company distributes power to over 38.5 lakh customers annually in its distribution areas of Ahmedabad, Gandhinagar, Surat, Dahej SEZ and Dholera Special Investment Region in Gujarat; Dadra and Nagar Haveli and Daman and Diu UT; Bhiwandi, Shil, Mumbra and Kalwa areas of Mumbai Metropolitan Region in Maharashtra and Agra in Uttar Pradesh.

## Valuation Summary

Market Value - ₹23,642Cr  
Share Outstanding - 480.6M  
Current Share Price - ₹467.80  
52-Week high - Rs 610.00  
52-Week low - Rs 415.25  
PEG Ratio - 0.90

## Installed Capacity



## BUSINESS SEGMENT

### Generation

Company has a operational generation capacity of 4110 MW comprising thermal including coal and gas based power plants and renewable power plants. The renewable energy generation included 231 MW and is expected to increase to 565 MW.

## Transmission

The company operates 249 km and 105 km of 400 kV double circuit transmission lines and 128 km of 220 kV double circuit transmission lines for power transmission.

## Distribution

Torrent Power distributes power to about 4 million customers in Ahmedabad, Gandhinagar, Surat, Dahej SEZ and Dholera SIR in Gujarat and cities of Maharashtra and at Agra

### Awards and Certifications



**ISO 9001:2015**  
Quality Management System



**ISO 50001:2018**  
Energy Management System



**ISO 45001:2018**  
Occupational Health and Safety Management System



**ISO 55001:2014**  
Asset Management System (For gasbased generation facilities)



**ISO 14001:2015**  
Environment Management System



**ISO 27001**  
Information Security Management System (For gas-based generation facilities)

### Projects and acquisitions

- Torrent power has undertaken three new projects which will allow the company to expand energy generation capacity by 231 MW, including 156 MW of Wind and 75 MW of Solar.
- During the FY 2022 the Co. has completed the acquisition of 51% of the equity share capital of Dadra and Nagar Haveli and Daman and Diu Power Distribution Corporation Limited

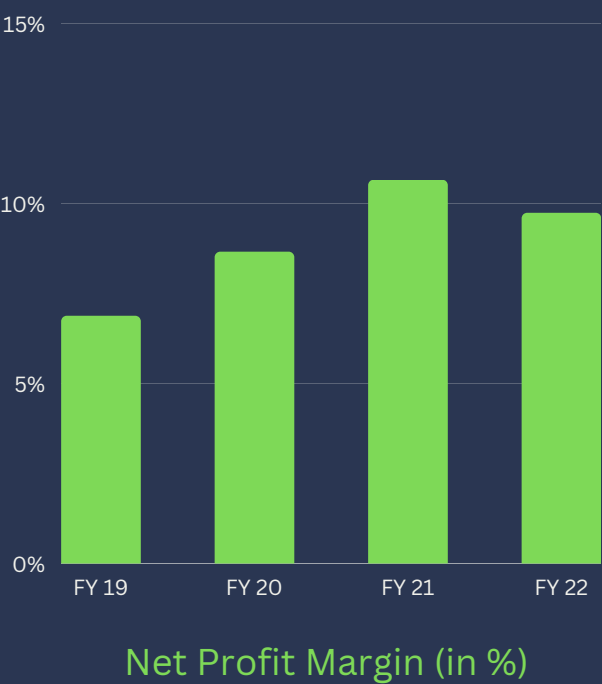
"Our focus on balancing financial and non-financial priorities and risk management is strengthening the foundation of our business and is critical for our continued success. We will continue looking for new opportunities in the distribution and transmission sector through privatisation or franchising of distributed areas."

Samir Mehta, Chairman Torrent power.

# Key Financial Ratios

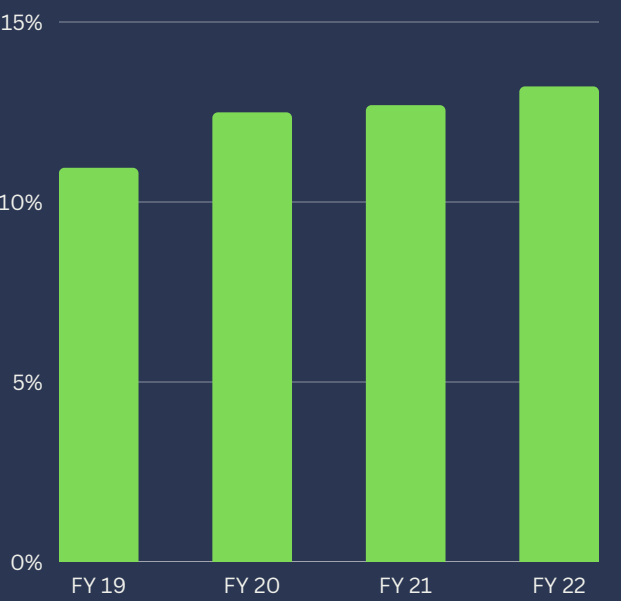
Financial Ratios	FY 2021-22
Market Capital ( in Rs Crore )	22,349
PE	11.0
ROE ( in % )	8.64
ROCE ( in % )	13.1
Sales Growth ( in % )	62.1
Debt To Equity	0.96
Industry PE	22.5
Debt to Profit	22.8
Book Value ( in Rs )	227

## Profitability Ratios



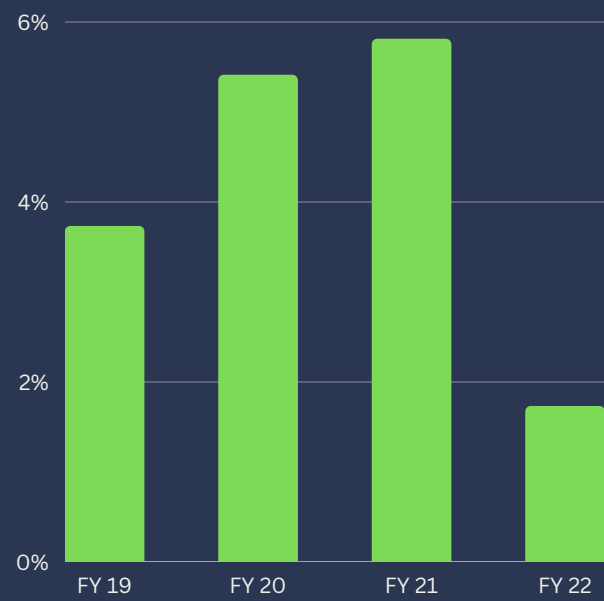
The Net Profit Margin stood 6.87% in FY 19 and later increased to 10.65% in FY 21 and 9.73% in FY 22

# Key Financial Ratios



Return on Capital Employed (in %)

ROCE increased from 10.94% in FY 19 to 13.20% in FY 22 with a 4.10% YoY growth.



Return on Assets (in %)

Return on Assets decreased from 3.73% in FY 19 to 1.73% in FY 22. The net decrease on YoY basis is 70.22%.

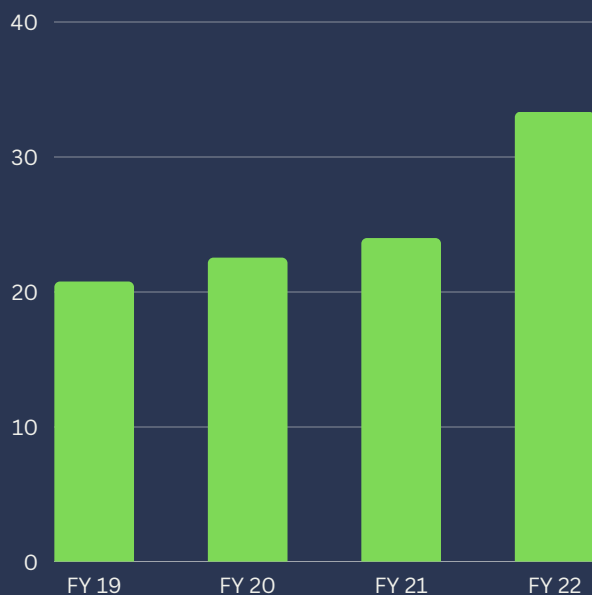
## Leverage Ratios



Debt to Equity Ratio

The Debt to Equity ratio decreased from 0.90 in FY 19 to 0.83 FY 22





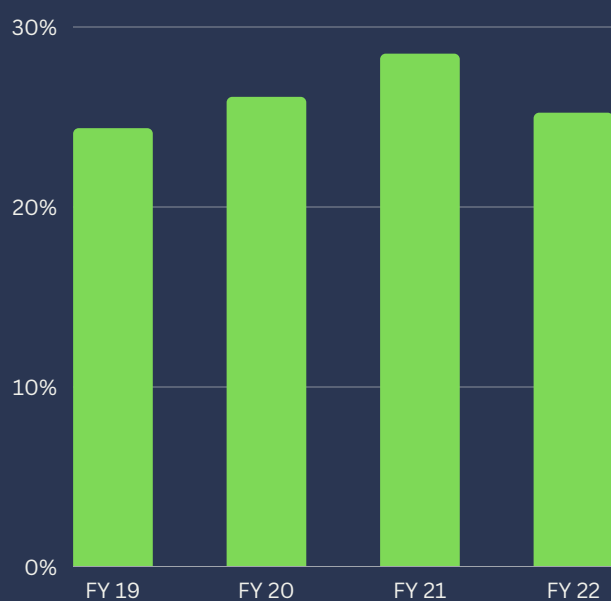
Inventory turnover ratio

Inventory Turnover ratio has increased from 20.71 in FY 19 to 33.29 in FY 22 with a 39.11% YoY growth.



Debt to Profit Ratio

The Debt to Profit ratio of Torrent Power has decreased from 6.62 in FY 19 to 4.42 in FY 22



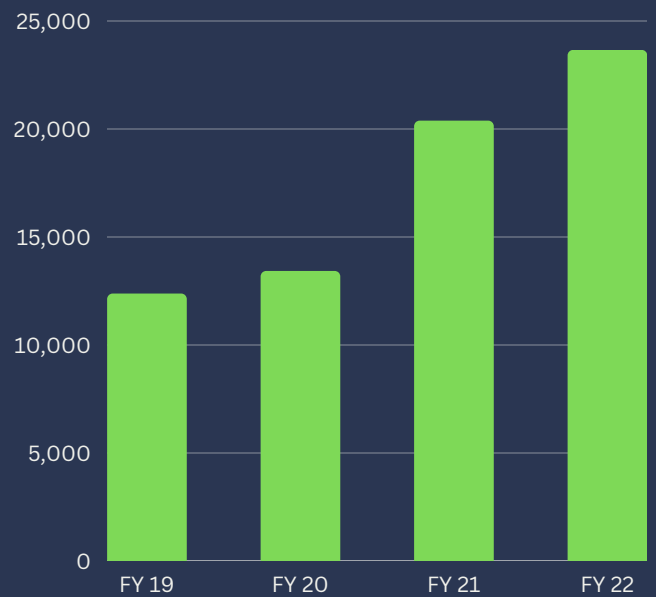
EBITDA Margin (in %)

The EBITDA Margin increased from 24.33% in FY 19 to 25.19% in FY 22 with a YoY decline of 11.52%



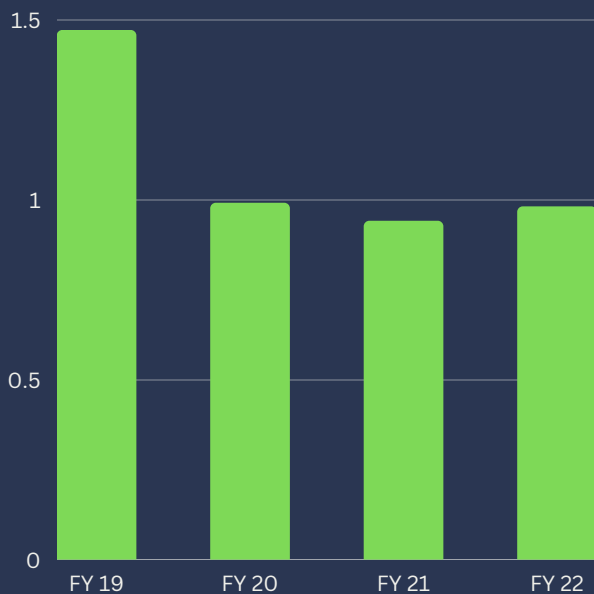
Net Cash generated from Operating Activities (in Rs Cr)

The Net Cash increased from Rs 1784 Cr in FY 19 to Rs 2648 Cr in FY 22



Market Capitalisation

Market Capitalisation increased from Rs 12,361 in FY 19 Cr to Rs 23,642 Cr in FY 22



Current Ratio

Current Ratio of Torrent Power decreased from 1.47 in FY 19 to 0.98 in FY 22



The Earning per share decreased from Rs 18.70 in FY 19 to Rs 9.45 in FY 22

### Return on Equity

10 Years:	10%
5 Years:	12%
3 Years:	13%

### Compounded Sales growth

10 Years:	6%
5 Years:	7%
3 Years:	3%
TTM:	62%



### Compounded Profit growth

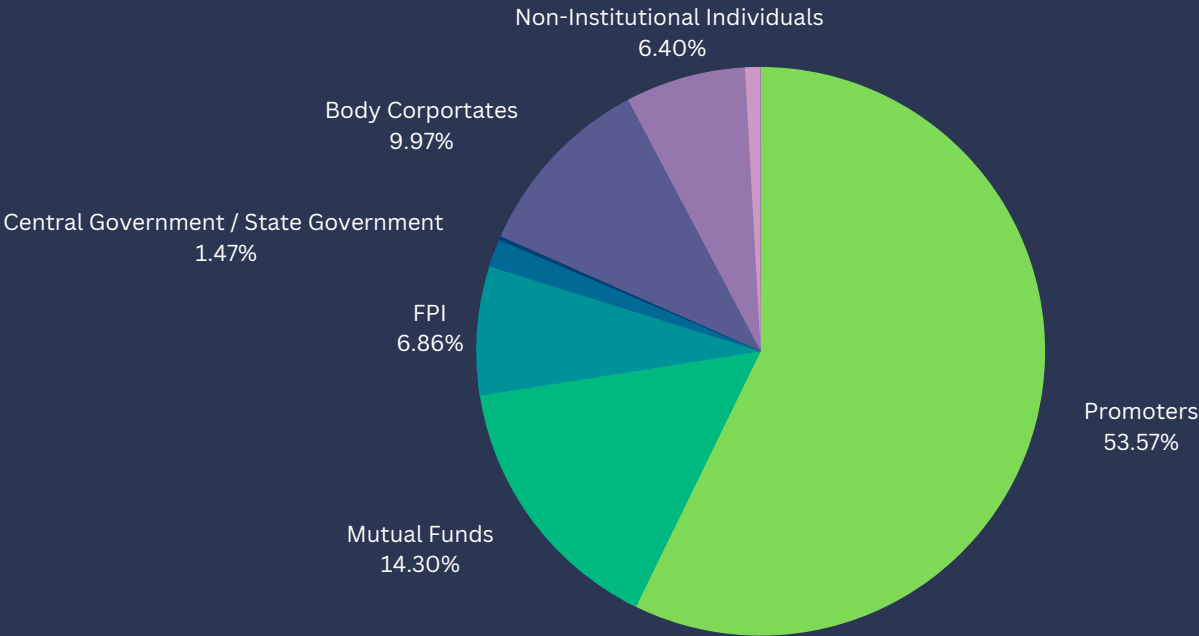
10 Years:	-4%
5 Years:	17%
3 Years:	0%
TTM:	57%

### Book Value / Share (Rs)

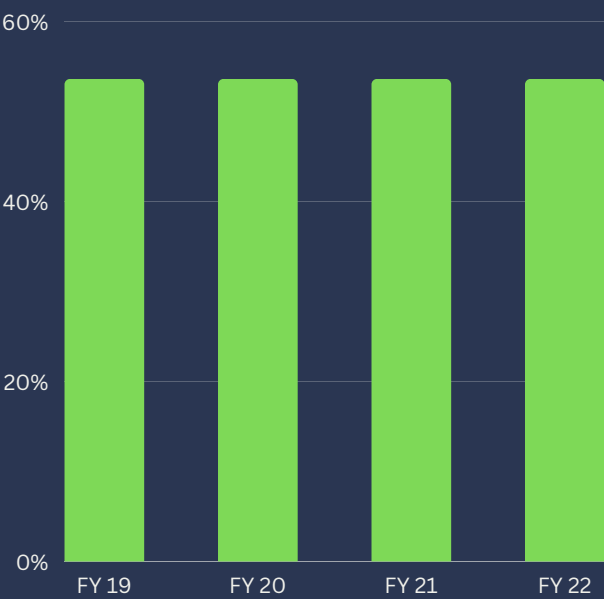
Book Value per share increased from Rs 185.94 in FY 19 to Rs 207.36 in FY 22

# Shareholding Pattern

Category	Number of shares	% of shareholding
Promoters	25,74,43,318	53.57
Mutual Funds	6,87,11,239	14.30
Foreign Portfolio Investors	3,29,56,178	6.86
Insurance Companies	3,06,70,733	6.38
Central Government / State Government(s)	70,58,501	1.47
Financial Institutions and Banks	10,59,322	0.22
Body Corporates	4,79,35,639	9.97
Non-Institutional Individuals	3,07,79,647	6.40
Others	40,02,207	0.83
Toatal	48,06,16,784	100

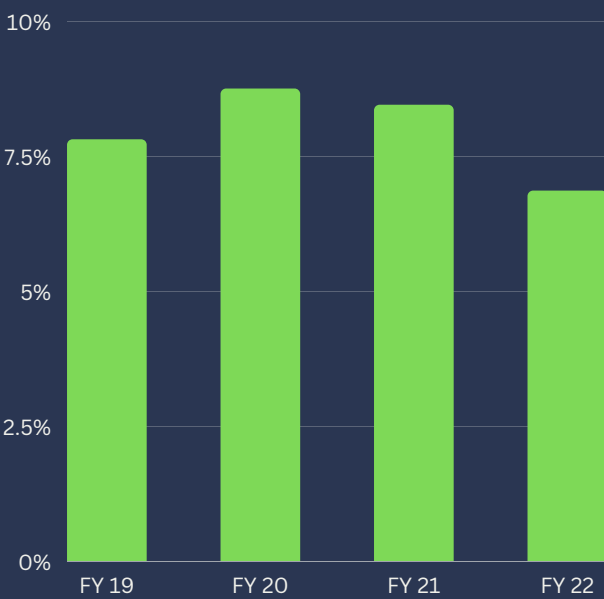


# Historical Shareholding pattern



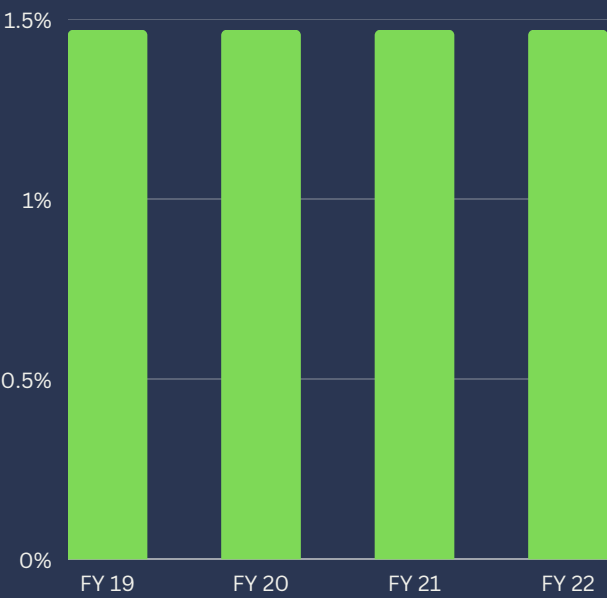
Promoter Shareholding (in % of shareholding)

The shareholding of Promoter has remained at 53.57% of the total shareholding since FY 19



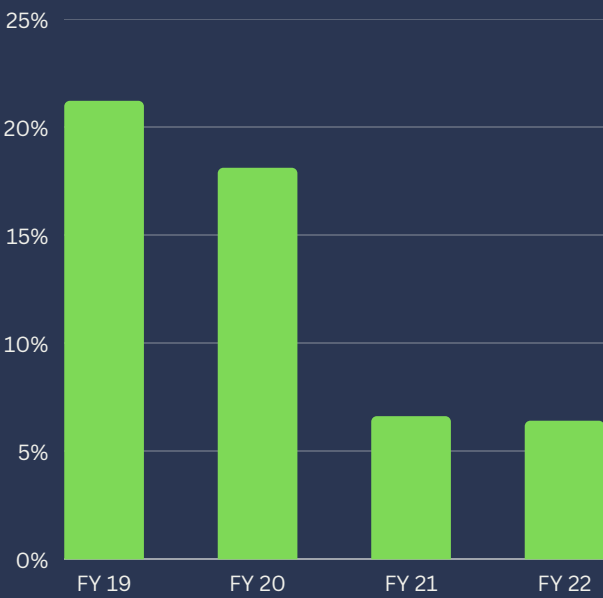
Foreign Portfolio Investors Shareholding (in % of shareholding)

The shareholding of FPI has decreased from 7.81% in FY 19 to 6.86% in FY 22



Central Government / State Government Shareholding (in % of shareholding)

The shareholding of Central/State Governemt has remained at 1.47% of the total shareholding since FY 19



Non-Institutionals Individuals Shareholding (in % of shareholding)

The shareholding of Non-Institutionals Individuals has decreased from 21.21% in FY 19 to 6.40% in FY 22

# Peer Comparison

Name	Market Cap ( Rs Cr )	P/E	ROE (in %)	ROCE (in %)	Debt to Equity	NPM( in %)
Torrent Power	22348.68	11.03	8.64	13.10	0.96	6.16
Adani Green	294281.55	539.82	42.38	7.86	7.70	8.47
NTPC	160867.69	9.50	12.57	9.23	1.58	12.58
Power Grid Corporation	153041.44	10.45	19.27	11.48	1.59	33.84
Adani Power	100666.11	9.74	369.83	20.68	1.87	17.90
Tata Power	64370.12	25.32	8.42	9.30	2.07	5.27
NHPC	43896.80	11.39	10.39	6.50	0.70	41.18

## Peers:

### Adani Green

Market Capital: Rs 294281.55 Cr

Revenue: Rs 11,161 Cr

No of shares: 156.40 Cr

Share Price: Rs 1872.00

52-Week High: Rs 3050.00

52-Week Low: Rs 1650.20

Adani Green Energy Limited is an Indian renewable energy company that develops, builds, owns, and operates solar and wind power generation projects. The company is a subsidiary of the Adani Group, a conglomerate based in India. Adani Green Energy has been involved in the development of several large-scale solar and wind power projects in India and has set a target to become one of the world's largest renewable energy companies.

### NTPC

Market Capital: Rs 160867.69 Cr

Revenue: Rs 115,021.82 Cr

No of shares: 969.66 Cr

Share Price: Rs 166.30

52-Week High: Rs 182.95

52-Week Low: Rs 123.65

NTPC Limited (National Thermal Power Corporation Limited) is an Indian state-owned electricity generation company. It is the largest thermal power generating company in India and has been ranked 361st in the Fortune Global 500 list of the world's biggest corporations of 2020. The company's core business is the generation and sale of electricity to state-owned power distribution companies and state electricity boards in India. It also undertakes consultancy and turnkey project contracts that involve engineering, project management, construction management, and operation and management of power generation plants.

## Powergrid Corporation

Market Capital: Rs 153041.44 Cr

Revenue: Rs 42,335.87 Cr

No of shares: 697.54Cr

Share Price: Rs 218.85

52-Week High: Rs 248.35

52-Week Low: Rs 186.35

Power Grid Corporation of India Limited (PGCIL) is a state-owned electricity utility in India. It is responsible for the transmission of electricity in India and is also involved in the planning of the national power transmission grid. PGCIL operates and maintains over 175,000 kilometers of transmission line circuits and over 250 substations that form the backbone of India's national power transmission grid. The company also provides technical and consulting services for the development of transmission systems in other countries. In addition, PGCIL also has a telecom infrastructure business and provides services to telecom companies in India.

## Tata Power

Market Capital: Rs 64370.12 Cr

Revenue: Rs 14,095.04 Cr

No of shares: 270.47 Cr

Share Price: Rs 202.50

52-Week High: Rs 298.05

52-Week Low: Rs 190.00

Tata Power is an Indian multinational company engaged in the generation, transmission and distribution of electricity. It is part of the Tata group. The company operates power plants using various fuel sources such as coal, gas, hydro, solar and wind. It also has a distribution business serving millions of customers in India, particularly in the state of Maharashtra and the Union Territory of Dadra and Nagar Haveli and Daman and Diu. Tata Power also has a presence in the transmission and distribution sector, particularly in the states of Maharashtra and Gujarat.



## NHPC

Market Capital: Rs 43896.80 Cr

Revenue: Rs 9,379.98 Cr

No of shares: 1004.50Cr

Share Price: Rs 43.70

52-Week High: Rs 46.90

52-Week Low: Rs 27.05

NHPC Limited (National Hydroelectric Power Corporation) is an Indian state-owned hydropower company. It is one of the largest hydropower companies in India and is based in Faridabad, Haryana. The company is responsible for developing hydropower projects in India and operates several hydropower plants in the country. In addition, NHPC also has a renewable energy business and operates some solar power projects in India as well.

# Risks and Concerns

## Foreign Currency Risk

Torrent Power needs to import LNG(Liquified natural gas) from international markets to operate its power plants. The price of LNG are subjected to various fluctuations and associated foreign exchange risks, geopolitical & supply-demand mismatch risks.

## Regulatory Policies

The Union Ministry of Environment, Forest and Climate Change (MoEFCC) has mandated all coal and lignite based Thermal Power Plants (TPPs) to utilize 100% fly ash in an environment friendly manner within 3-5 years. This has brought up a new challenge to the company.

## Technological Risks

The speed of technological development brings new challenges; the frequency and intensity of cyber-attacks are on rise with more focus on critical infrastructure, highlighting a potential risk of interruption of normal business activities.

- Various unexpected events such as outbreak of covid 19 which brought up challenges such as a sudden decrease in workforce and challenges such as disruption in supply chain, moreover the invasion of Russia over Ukraine has disrupted fossil fuel supplies and the overall market, in which the Russian Federation is the leading exporter of natural gas and the second largest exporter of oil.
- The Company's Renewable business faces the risk of high commodity price including module prices leading to increased project cost. Land acquisition is another major challenge in renewable energy business faced by all developers causing delay in many projects.

## Sustainability

The use of fossil fuels including coal, lignite LPG has raised concerns due to their limited presence and hence led to increase the pressure on companies to shift towards renewable sources of energy but Renewable energy technologies, such as solar and wind, but nuclear electricity as well, require higher upfront capital investments than fossil power plants.

# Conclusion

The power sector of India has a huge a market size as India has now become the most populous country of the world leading to increase the demand for electricity while India is the 3rd largest producer and consumer of electricity in the world. Moreover there are various opportunities provided by the Government, Union Budget of 2022-23 allocated Rs 19,500 crore (US \$ 2.57 billion) for PLI scheme to boost manufacturing of high efficiency solar modules. Policy support such as 100% FDI allowed in power sector has hosted FDI inflow in the power sector. Moreover India is also ranked 6th in the list of countries to make significant investments in clean energy.

Looking at such a great opportunity of growth of power sector I would recommend a **Buy** position of Torrent power although the company has a lower ROE (Return on Equity) ratio and ROCE (Return on capital employed) ratio when compared with other peers but Torrent power has shown a much higher increase in the sales growth which was 62.1%.