

Price: 1,620

Recommendation: Buy

Industry: Integrated Power

Sector: Utilities

Report Date: 15-Apr-2025

Torrent Power Limited is strategically enhancing its operational efficiency and market presence through significant capital expenditure focused on renewable energy and infrastructure. With plans to invest 35,000 to 40,000 crores, including a 19,000 crores renewable energy project pipeline, the company is diversifying into new ventures like green hydrogen blending. Its robust growth trajectory is supported by a strong balance sheet and strategic investments, positioning it well for sustainable future growth.

Sales		Profit & Loss		Profitability Matrix	
Current Year	22013 Cr	Operating Profit(Year)	4463 Cr	Operating Profit Margin	20.3 %
Previous Year	18836 Cr	Operating Profit(Quarter)	923 Cr	EBITDA Margin	19.27 %
Current Quarter	4746 Cr	PAT (Year)	1718 Cr	Net Profit Margin	8.61 %
Previous Quarter	5288 Cr	PAT (Quarter)	369 Cr	EPS	46.5
Revenue (QYoY)	4681 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	36.3	Sales Growth	13.0 %	Sales Growth	-10.25 %
PEG Ratio	2.48	PAT Growth	-15.58 %	Sales Growth QYoY	1.39 %
EV/EBITDA	17.7	EPS Growth	24.33 %	PAT Growth	-20.47 %
P/B	6.14	Dividend Yield	0.99	PAT Growth QYoY	-3.91 %
Capital Allocation		Holdings		Leverage	
RoE	14.9 %	Promoter	51.1 %	Debt/Equity	0.69
RoA	6.23 %	FII	9.93 %	Debt	9166 Cr
RoCE	15.1 %	DII	21.2 %	Market Cap	81711 Cr
RoIC	13.0 %	Public	9.42 %	Enterprise value	90573 Cr
		No of Shares	50.4 Cr	Cash Equivalents	304 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent earnings call, Torrent Power Limited outlined several strategic initiatives and business strategies aimed at enhancing its operational efficiency and expanding its market presence. The company has committed to a significant capital expenditure (CAPEX) plan, with a focus on renewable energy projects and infrastructure development. Over the next few years, Torrent Power plans to invest approximately 35,000 to 40,000 crores in various projects, including a 19,000 crores renewable energy project pipeline. This ambitious plan is supported by a mix of internal cash flows and funds raised through a Qualified Institutional Placement (QIP), which has been primarily used to prepay existing debt, thereby strengthening the company's balance sheet.

Torrent Power is actively pursuing diversification through new ventures and projects. A notable initiative is the pilot project on green hydrogen blending with CNG in Uttar Pradesh, which is one of the largest private sector blending projects in India. This project is currently under trial runs and represents a significant step towards sustainable energy solutions. Additionally, the company has fully commissioned a 300 MW solar project, increasing its total generation capacity to 4.7 GW. The company's pipeline includes 3 GW of renewable energy projects and two transmission projects, indicating a robust growth trajectory in the renewable sector.

The company's future growth and scaling perspectives are promising, with a clear focus on expanding its renewable energy portfolio and enhancing its distribution capabilities. Torrent Power's strategic investments in renewable energy and infrastructure are expected to drive long-term growth and profitability. The company is also exploring opportunities in the merchant power market, leveraging its strong balance sheet to secure funding for new projects. The management has expressed confidence in meeting future CAPEX requirements through a combination of internal accruals and strategic debt financing.

While the company's strategic initiatives and growth plans are commendable, there are areas where improvements could enhance its competitive edge. For instance, the timely execution of projects and addressing any potential delays in project commissioning could further strengthen its market position. Additionally, expanding its LNG trading operations and securing long-term contracts could provide a stable revenue stream and mitigate market volatility. Overall, Torrent Power's strategic focus on renewable energy and infrastructure development positions it well for future growth, with a strong emphasis on sustainability and innovation.

TORNTPOWER Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
JSW Energy	89768.17	47.81	8.40%	-24.67%	-4.09%	-81.55%	-31.94%
Torrent Power	81710.83	36.32	14.90%	-10.24%	1.40%	-20.56%	-3.92%
NTPC	351504.15	15.99	13.62%	0.80%	5.21%	-4.02%	-1.80%
Power Grid Corpn	283156.88	18.21	19.00%	-0.40%	-2.74%	1.81%	-4.14%
Adani Power	209222.35	16.23	57.06%	2.49%	5.23%	-10.84%	7.38%

Aspect	Commentary
Revenue	The company shows a robust revenue increase, with a year-on-year growth of 13%. This indicates strong market demand and effective sales strategies. However, the quarter-on-quarter decline of 10.25% suggests potential seasonal fluctuations or market challenges that need addressing to maintain consistent growth.
Profit & Loss	Operating profit margins are healthy at 20.3%, reflecting efficient cost management. However, the year-on-year PAT growth is negative at -15.58%, indicating challenges in net profitability. This could be due to increased expenses or lower revenue growth in certain segments.
Profitability Matrix	The company maintains a solid operating profit margin of 20.3% and a net profit margin of 8.61%, indicating efficient operations. The EPS growth of 24.33% is promising, suggesting improved earnings performance. However, maintaining these margins is crucial for long-term sustainability.
Valuation Matrix	The trailing P/E ratio of 36.3 suggests the stock is valued at a premium, possibly due to growth expectations. The PEG ratio of 2.48 indicates the stock might be overvalued relative to its growth rate. Investors should consider these metrics when evaluating investment potential.
Growth (YoY)	Year-on-year sales growth of 13% is strong, but the negative PAT growth of -15.58% highlights profitability challenges. The positive EPS growth of 24.33% suggests improved earnings efficiency. Addressing profitability issues is crucial for sustaining growth momentum.
Growth (QoQ)	Quarter-on-quarter sales growth is negative at -10.25%, indicating potential market challenges or seasonal effects. The PAT growth is also negative at -20.47%, suggesting profitability issues. These trends need monitoring to ensure long-term financial health.
Capital Allocation	The company demonstrates effective capital allocation with a RoE of 14.9% and RoCE of 15.1%, indicating efficient use of equity and capital. The RoIC of 13% suggests good returns on invested capital, supporting sustainable growth and shareholder value.
Holdings	Promoter holding is strong at 51.1%, indicating confidence in the company's prospects. Institutional holdings are significant, with FII at 9.93% and DII at 21.2%, reflecting institutional trust. Public holding is relatively low, suggesting limited retail investor participation.
Leverage	The debt/equity ratio of 0.69 indicates moderate leverage, suggesting a balanced approach to debt management. The company's market cap of 81,711 Cr and enterprise value of 90,573 Cr reflect its substantial market presence. Effective leverage management is key to financial stability.

Analyst viewpoint: Torrent Power Limited is positioned strongly for growth, supported by strategic capital allocation and robust operational metrics. The company's commitment to investing approximately 35,000 to 40,000 crores over the next few years, particularly in renewable energy projects, signals a forward-thinking approach. With a focus on green initiatives, such as the 19,000 crore pipeline and the innovative green hydrogen blending project, Torrent Power is enhancing its long-term sustainability and operational efficiency. The company showcases a healthy operating profit margin of 20.3% and an EPS growth of 24.33%, underscoring its earnings potential. Moreover, a trailing P/E ratio of 36.3 and a RoE of 14.9% reflect valuable shareholder returns and sound capital management, supported by a strong institutional and promoter holding, augmenting investor confidence.

Despite a quarterly sales growth decline of 10.25%, reflecting potential short-term market fluctuations, Torrent Power's strategic initiatives indicate a promising outlook in the mid-term. The negative PAT growth—an area needing attention—suggests room for enhancing net profitability, possibly by further optimizing cost structures and improving project execution times. The company is poised to leverage its balance sheet for future growth, underscored by a manageable debt/equity ratio of 0.69. This strategic focus on renewable energy, coupled with a robust market presence and strong internal accruals, positions Torrent Power to capture emerging opportunities while addressing existing profitability challenges.

Please read detailed disclosure on next page.

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

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