

Price: 1,591

Recommendation: Buy

Industry: Integrated Power

Sector: Utilities

Report Date: 19-Apr-2025

Torrent Power Limited is advancing its operational efficiency and market presence through strategic initiatives. The company plans a CAPEX of 2,000 crores, focusing on renewable energy and infrastructure. With a 19,000 crore renewable project pipeline and a green hydrogen pilot, it aims for sustainable growth. Financially, a 23% PBT increase highlights its robust performance. Challenges include regulatory approvals and project execution, but its strategic focus on sustainability and innovation positions it for future success.

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	35.6	Sales Growth	13.0 %	Sales Growth	-10.25 %
PEG Ratio	2.43	PAT Growth	-15.58 %	Sales Growth QYoY	1.39 %
EV/EBITDA	17.4	EPS Growth	24.33 %	PAT Growth	-20.47 %
P/B	6.03	Dividend Yield	1.01	PAT Growth QYoY	-3.91 %
Capital Allocation		Holdings		Leverage	
RoE	14.9 %	Promoter	51.1 %	Debt/Equity	0.69
RoA	6.23 %	FII	9.43 %	Debt	9166 Cr
RoCE	15.1 %	DII	21.9 %	Market Cap	80171 Cr
RoIC	13.0 %	Public	9.25 %	Enterprise value	89033 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. For the next fiscal year, Torrent Power plans to maintain a CAPEX guideline of approximately 2,000 crores, with 1,750 crores allocated to license distribution and 250 crores to franchisee operations. This strategic allocation underscores the company's commitment to strengthening its core business areas while exploring new growth avenues.

Torrent Power is actively pursuing diversification through renewable energy projects, with a pipeline of 19,000 crores in renewable energy projects set to be executed over the next two to three years. The company has also embarked on a pilot project for green hydrogen blending with CNG, marking a significant step towards sustainable energy solutions. Additionally, Torrent Power is exploring opportunities in the merchant power market, leveraging its strong balance sheet to fund projects with a 70:30 debt-equity ratio. This approach not only mitigates financial risk but also positions the company to capitalize on favorable market conditions.

Looking ahead, Torrent Power's growth prospects are bolstered by its robust project pipeline, which includes 3 GW of renewable energy projects and a pump storage project. The company is also keen on participating in the privatization process of discoms in Uttar Pradesh, where it already has a significant presence. These initiatives are expected to drive long-term growth and enhance the company's competitive edge in the energy sector. However, the company acknowledges potential challenges, such as the need for regulatory approvals and the timely execution of projects, which could impact its growth trajectory.

From a financial perspective, Torrent Power's performance in the recent quarter was marked by a 23% increase in profit before tax (PBT), driven by higher contributions from thermal generation and LNG sales. The company's strategic focus on optimizing its capital structure through debt prepayment and efficient capital allocation is expected to support its ambitious growth plans. While the company's initiatives are promising, there is room for improvement in project execution timelines and further diversification of its energy portfolio to mitigate market risks. Overall, Torrent Power's strategic initiatives and financial prudence position it well for future growth, with a clear focus 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
NTPC Green	91215.02	264.61	6.20%	0.24%	13.21%	78.82%	17.98%
Torrent Power	80171.05	35.64	14.90%	-10.24%	1.40%	-20.56%	-3.92%
NTPC	352958.65	16.06	13.62%	0.80%	5.21%	-4.02%	-1.80%
Power Grid Corpn	287388.66	18.49	19.00%	-0.40%	-2.74%	1.81%	-4.14%
Adani Power	212015.93	16.45	57.06%	2.49%	5.23%	-10.84%	7.38%

Aspect	Commentary
Revenue	The company experienced a revenue increase from the previous year, indicating growth. However, the current quarter's revenue decreased compared to the previous quarter, suggesting potential seasonal or operational challenges. The year-over-year quarterly revenue growth remains positive, reflecting resilience in market demand.
Profit & Loss	Operating profit shows a healthy margin, but the quarterly profit after tax (PAT) decreased, indicating potential cost pressures or revenue challenges. The annual PAT remains strong, suggesting overall profitability. The quarterly EPS reflects a stable earnings capacity, supporting investor confidence.
Profitability Matrix	The operating profit margin and EBITDA margin indicate efficient cost management. The net profit margin is moderate, suggesting room for improvement in cost control or revenue enhancement. The EPS is robust, reflecting strong earnings performance and potential for shareholder returns.
Valuation Matrix	The trailing P/E ratio suggests the stock is valued at a premium, possibly due to growth expectations. The PEG ratio indicates growth is priced in. EV/EBITDA and P/B ratios suggest the company is valued higher than peers, reflecting market confidence in its future prospects.
Growth (YoY)	Year-over-year sales growth is positive, indicating market expansion. However, PAT growth is negative, suggesting profitability challenges. EPS growth is strong, reflecting improved earnings per share. The dividend yield is modest, indicating a balanced approach to shareholder returns.
Growth (QoQ)	Quarter-over-quarter sales growth is negative, indicating potential short-term challenges. The quarterly PAT growth is also negative, suggesting profitability issues. However, the year-over-year quarterly sales growth is positive, indicating resilience in longer-term market demand.
Capital Allocation	Return on equity (RoE) and return on capital employed (RoCE) are healthy, indicating efficient capital use. Return on assets (RoA) and return on invested capital (RoIC) suggest effective asset management. Overall, capital allocation strategies appear to support sustainable growth.
Holdings	Promoter holding is strong, indicating confidence in the company's prospects. Institutional holdings are significant, reflecting market trust. Public holding is moderate, suggesting a balanced ownership structure. The number of shares indicates a substantial market presence.
Leverage	The debt-to-equity ratio is moderate, indicating a balanced approach to leveraging. The total debt is significant but manageable given the market cap and enterprise value. Cash equivalents are modest, suggesting a focus on reinvestment or debt servicing rather than liquidity.

Analyst viewpoint: Torrent Power Limited is poised for significant growth, evidenced by its strategic capital allocation towards renewable energy and infrastructure development. The company's decision to maintain a CAPEX guideline of 2,000 crores with a notable portion dedicated to license distribution underscores its commitment to strengthening foundational business areas while exploring new growth prospects. This strategic direction is complemented by a robust pipeline of 19,000 crores in renewable energy projects, which positions the company to capitalize on the increasing demand for sustainable energy solutions. Furthermore, Torrent Power's innovative steps in green hydrogen projects and merchant power market opportunities highlight its adaptability and forward-thinking approach, promising rewarding returns in the short to mid-term horizon.

From a financial perspective, the company's performance is reinforced by a 23% increase in profit before tax, driven by substantial contributions from thermal generation and LNG sales. This robust financial position is further reflected in its valuation metrics, with a trailing P/E and PEG ratio suggesting market confidence in its future growth. Despite these bullish indicators, potential challenges such as the timely execution of projects and regulatory hurdles could pose minimal risks. Overall, Torrent Power's solid capital allocation strategy and competitive edge in the sector reaffirm our bullish stance, though continuous vigilance in project execution is advised to ensure prolonged success.

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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