

Price: 1,500

Recommendation: Buy

Industry: Integrated Power

Sector: Utilities

Report Date: 01-Apr-2025

Torrent Power Limited is advancing its market presence through strategic initiatives and a robust CAPEX plan focused on renewable energy and infrastructure. With a CAPEX guideline of 2,000 crores for the next fiscal year, the company is committed to strengthening core operations and exploring growth avenues. A pipeline of 19,000 crores in renewable projects and a green hydrogen pilot in Uttar Pradesh highlight its innovation and sustainability efforts, positioning it for 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	33.6	Sales Growth	13.0 %	Sales Growth	-10.25 %
PEG Ratio	2.29	PAT Growth	-15.58 %	Sales Growth QYoY	1.39 %
EV/EBITDA	16.5	EPS Growth	24.33 %	PAT Growth	-20.47 %
P/B	5.67	Dividend Yield	1.07	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	75585 Cr
RoIC	13.0 %	Public	9.42 %	Enterprise value	84448 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 conference 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 250 crores allocated to franchisee operations and 1,750 crores dedicated to license distribution business. This strategic allocation underscores the company's commitment to strengthening its core operations while exploring new growth avenues.

Torrent Power is actively pursuing diversification through its 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 in Uttar Pradesh, marking one of the largest private sector blending projects in India. This initiative reflects Torrent Power's commitment to innovation and sustainability, positioning it as a leader in the transition to cleaner energy sources. The company is also exploring opportunities in the merchant power market, leveraging its strong balance sheet to secure funding for these ventures.

Looking ahead, Torrent Power is poised for significant growth, with plans to invest 35,000 to 40,000 crores in CAPEX over the next five years. The company generates approximately 2,000 crores in free cash flows annually, which will be used to fund 30% of the equity required for these projects. The remaining funding will be sourced through a mix of internal accruals and external debt, ensuring a balanced approach to capital allocation. The company's strategic focus on renewable energy and infrastructure development positions it well for future growth, with a strong pipeline of projects set to drive long-term value creation.

While Torrent Power's strategic initiatives and growth plans are promising, there are areas where the company could enhance its performance. The company could benefit from further diversifying its energy portfolio to mitigate risks associated with market fluctuations in the merchant power sector. Additionally, streamlining project execution timelines and addressing potential delays in project commissioning could enhance operational efficiency and improve investor confidence. Overall, Torrent Power's strategic focus on renewable energy and infrastructure development, coupled with its strong financial position, provides a solid foundation for future growth and value creation.

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	91801.50	48.78	8.40%	-24.67%	-4.09%	-81.55%	-31.94%
Torrent Power	75585.46	33.55	14.90%	-10.24%	1.40%	-20.56%	-3.92%
NTPC	341468.07	15.59	13.62%	0.80%	5.21%	-4.02%	-1.80%
Power Grid Corpn	269019.91	17.26	19.00%	-0.40%	-2.74%	1.81%	-4.14%
Adani Power	194659.69	15.13	57.06%	2.49%	5.23%	-10.84%	7.38%

Aspect	Commentary
Revenue	The company shows a robust revenue increase from the previous year, indicating strong market demand and effective sales strategies. However, a slight decline in quarterly revenue suggests potential seasonal fluctuations or market challenges that need addressing to maintain growth momentum.
Profit & Loss	Operating profit remains strong, reflecting efficient cost management. However, a decline in quarterly PAT suggests potential operational challenges or increased expenses. The company should focus on optimizing operational efficiency to sustain profitability.
Profitability Matrix	The company maintains healthy profit margins, with a strong operating profit margin indicating effective cost control. However, the net profit margin suggests room for improvement in managing non-operational expenses to enhance overall profitability.
Valuation Matrix	The valuation metrics indicate a relatively high market valuation, with a trailing P/E suggesting investor confidence. However, the PEG ratio highlights the need for growth to justify current valuations. Strategic growth initiatives could enhance valuation metrics.
Growth (YoY)	Year-over-year growth shows positive sales and EPS growth, indicating strong market performance. However, the decline in PAT growth suggests challenges in cost management or increased competition. Addressing these issues could improve overall growth.
Growth (QoQ)	Quarter-over-quarter growth shows a decline in sales and PAT, indicating potential market challenges or seasonal effects. The company should focus on strategies to stabilize quarterly performance and mitigate any adverse market conditions.
Capital Allocation	The company demonstrates effective capital allocation with strong returns on equity and capital employed. However, optimizing the return on assets could further enhance financial performance. Strategic investments in high-return projects could be beneficial.
Holdings	The company's shareholding pattern shows a strong promoter holding, indicating confidence in the business. Institutional holdings suggest market trust, while public holding provides liquidity. Maintaining a balanced shareholding structure is crucial for stability.
Leverage	The company's leverage is moderate, with a manageable debt-to-equity ratio. This indicates a balanced approach to financing, allowing for growth without excessive risk. Maintaining this balance is essential for financial stability and future investment opportunities.

Analyst viewpoint: Torrent Power Limited presents a compelling investment opportunity driven by strategic enhancements in its operational framework and clear focus on growth through diversification. The company has outlined a robust capital expenditure plan, emphasizing renewable energy and infrastructure, thereby positioning itself to capture emerging market opportunities. A significant CAPEX of around 2,000 crores, with a strategic allocation towards expanding both core operations and renewable energy initiatives, bodes well for growth. The company's commitment to innovation is highlighted by its ongoing pilot project for green hydrogen blending in Uttar Pradesh, which underscores its strategic aim to lead the sector's shift towards sustainable energy solutions. Moreover, Torrent Power consistently generates approximately 2,000 crores in annual free cash flow, ensuring it has ample funds to support its planned investments.

Although Torrent Power's strategic growth plans are promising, particularly with a forecasted investment of 35,000 to 40,000 crores over the next five years, potential investors should note the slight quarterly slowdown as indicated by a decrease in quarterly sales and PAT. This mild revenue setback may arise from seasonal factors or market fluctuations, and addressing these challenges is crucial to maintaining steady growth. Therefore, while the company's strategic focus on renewable energy and strong market presence makes it an appealing buy for the short to mid-term, continued vigilance on operational efficiency and diversification would bolster investor confidence and sustain long-term value creation.

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

*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.

Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (hereinafter referred to as the Regulations).

1. GOALZEN CAPITAL SERVICES PRIVATE LIMITED is a SEBI-Registered Research Analyst having SEBI registration number INH000013448. GOALZEN CAPITAL SERVICES PRIVATE LTD ("GoalFi" or "We"), the research entity, is engaged in providing research services on securities and information on personal financial products. This Research Report (called Report) is prepared and distributed by GOALZEN CAPITAL SERVICES PRIVATE LIMITED with brand name 'GoalFi' (brand name trademarked to research analyst and company director 'Robin Arya') and used by GOALZEN CAPITAL SERVICES PRIVATE LIMITED with mutual consent.

2. GOALZEN CAPITAL SERVICES PRIVATE LIMITED, its partners, employees, directors or agents, do not have any material adverse disciplinary history as on the date of publication of this report.

3. I, Robin Arya, author/s and the name/s in this report, hereby certify that all of the views expressed in this research report accurately reflect my/our views about the subject issuer(s) or securities. I/We also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. I/we or my/our relative or GOALZEN CAPITAL SERVICES PRIVATE LIMITED do not have any financial interest in the subject company.

4. I/we or my/our relative or GOALZEN CAPITAL SERVICES PRIVATE LIMITED do not have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. I/we or my/our relative or GOALZEN CAPITAL SERVICES PRIVATE LIMITED do not have any material conflict of interest. I/we have not served as director / officer, etc. in the subject company in the last 12-month period.

5. I, Robin Arya, do not hold this stock as part of my investment portfolio at the date of recommendation. I/analysts in the Company have not traded in the subject stock thirty days preceding this research report and will not trade within five days of publication of the research report as required by regulations.

6. GOALZEN CAPITAL SERVICES PRIVATE LIMITED has not received any compensation from the subject company in the past twelve months. GOALZEN CAPITAL SERVICES PRIVATE LIMITED has not been engaged in market making activity for the subject company.

7. In the last 12-month period ending on the last day of the month immediately preceding the date of publication of this research report, GOALZEN CAPITAL SERVICES PRIVATE LIMITED has not received compensation or other benefits from the subject company of this research report or any other third-party in connection with this report.

Analyst Certification:

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclaimers:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent.

This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment.

The investment discussed or views expressed may not be suitable for all investors. Certain transactions - including those involving futures, options, another derivative product as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document.

This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of GOALZEN CAPITAL SERVICES PRIVATE LIMITED. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject GOALZEN CAPITAL SERVICES PRIVATE LIMITED to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt GOALZEN CAPITAL SERVICES PRIVATE LIMITED or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold GOALZEN CAPITAL SERVICES PRIVATE LIMITED or any of its affiliates or employees responsible for any such misuse and further agrees to hold GOALZEN CAPITAL SERVICES PRIVATE LIMITED or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of GOALZEN CAPITAL SERVICES PRIVATE LIMITED only.

GOALZEN CAPITAL SERVICES PRIVATE LIMITED has a contractual arrangement with a vendor - Smallcase Technologies Private Limited (STPL) whereby STPL provides technology solutions and related back-end infrastructure along with support for back-office related operations & processes. STPL does not provide any investment advice or recommendation nor does it make any claim of returns or performance with respect to any advice or recommendation.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing. Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Terms & Conditions:

These Terms and Conditions govern the use of the research subscription services provided by GOALZEN CAPITAL SERVICES PRIVATE LTD ("GoalFi" or "We"). By subscribing to our services, you agree to these terms, if you disagree with any part of the terms, you must not use our services.

Payment and Renewal:

The subscription fee is non-refundable. No such requests over email or any other channel requesting for refund or for pro-rata refund will be acknowledged if smallcase constituents or research provided is accessed by the user. Please do not subscribe if you disagree with any part of the terms. Subscription renewals will be charged the standard rate unless otherwise notified.

Limitation of Liability:

GoalFi provides research based on data and analysis. The subscriber acknowledges that all investment decisions carry inherent risks, and GoalFi shall not be liable for any losses incurred based on our research.

No Investment Advice:

The content provided under the subscription is purely for informational purposes and should not be construed as investment advice. GoalFi, being a SEBI Registered Research Analyst (RA), provides research insights and not investment advisory services.

Termination:

GoalFi reserves the right to terminate the subscription at any time due to non-compliance with these terms or any other reasons deemed appropriate by us and no refund will be made.

No Guarantee: While we strive to provide accurate and reliable research, there is no guarantee on the returns or performance of the recommendations. Investing in securities involves risks, and there's the potential for losing money.

Review and Update: Our research products are reviewed and updated periodically to reflect the latest market conditions and insights. However, market conditions can change rapidly, and there's no guarantee that the conditions on which recommendations and insights are based will remain the same.

Research Analyst Details:

Name: Robin Arya

Email: smallcase@goalfi.in

Contact: +91-9394306085

GOALZEN CAPITAL SERVICES PRIVATE LIMITED

CIN: U66190TS2023PTC176030

Address: Co ikeva Office 10, Level 3, NSL Centrum, Serene Estate Pvt Ltd, Site No. Phase I and II, Opp KPHB Colony Lane Opp. Forum Mall Kukatpally, HYDERABAD, TELANGANA, 500072

Support Telephone: +91 9063309052, Support Email – support@goalfi.in

Customer having any query/feedback/ clarification/ In case of grievances for any of the services rendered by GOALZEN CAPITAL SERVICES PRIVATE LIMITED, write to hello@goalfi.app

Website: goalfiresearch.smallcase.com