

Price: 1,592

Recommendation: Buy

Industry: Integrated Power

Sector: Utilities

Report Date: 21-Apr-2025

Torrent Power Limited is enhancing operational efficiency and market presence through new initiatives. A notable increase in income from Rs. 53 crores to Rs. 172 crores was due to a one-time gain and higher treasury income. The company reported a 23% growth in PBT, driven by thermal generation and merchant power sales. With a focus on renewable energy, Torrent Power is investing Rs. 35,000 to 40,000 crores over five years, aiming to strengthen its competitive edge and market position.

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	6.07	Dividend Yield	1.02	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	80247 Cr
RoIC	13.0 %	Public	9.25 %	Enterprise value	89109 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 new initiatives and business strategies aimed at enhancing their operational efficiency and expanding their market presence. A significant highlight was the increase in other income from Rs. 53 crores to Rs. 172 crores, attributed to a one-time gain from the sale of the cable division and higher treasury income. The company also reported a 23% growth in Profit Before Tax (PBT) for the quarter, reaching Rs. 630 crores, driven by increased contributions from thermal generation and merchant power sales. The thermal generation business saw a notable increase in EBIT due to higher merchant and LNG sales, alongside foreign exchange gains.

Torrent Power is actively pursuing diversification through renewable energy projects, with a focus on solar and wind power. The company has commissioned a 300 MW solar project, bringing its total generation capacity to 4.7 GW. Additionally, they have a robust pipeline of 3 GW renewable energy projects and a pump storage project. The company is also exploring green hydrogen blending with CNG, marking a significant step in sustainable energy initiatives. The CAPEX for the next year is projected to be around Rs. 2,000 crores, with a substantial portion allocated to renewable energy and transmission projects.

Looking ahead, Torrent Power is poised for growth with a strategic focus on renewable energy and infrastructure development. The company plans to invest Rs. 35,000 to 40,000 crores over the next five years, supported by internal cash flows and QIP funds. This investment will fund ongoing and new projects, including a significant renewable energy project pipeline and a pump storage project. The company is also evaluating long-term LNG contracts to secure fuel supply for its thermal generation business. These initiatives are expected to enhance the company's competitive edge and market position.

While the company's growth prospects are promising, there are areas for improvement. The delay in the airpower merchant project highlights potential challenges in project execution and timelines. Additionally, the company's reliance on merchant power sales could expose it to market volatility. To mitigate these risks, Torrent Power could benefit from diversifying its revenue streams and enhancing its project management capabilities. Overall, the company's strategic initiatives and focus on renewable energy position it well for future growth, but careful execution and risk management will be crucial to realizing these opportunities.

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	91102.36	48.54	8.40%	-24.67%	-4.09%	-81.55%	-31.94%
Torrent Power	80246.65	35.65	14.90%	-10.24%	1.40%	-20.56%	-3.92%
NTPC	353346.58	16.11	13.62%	0.80%	5.21%	-4.02%	-1.80%
Power Grid Corpn	297572.78	19.18	19.00%	-0.40%	-2.74%	1.81%	-4.14%
Adani Power	219440.44	17.06	57.06%	2.49%	5.23%	-10.84%	7.38%

Aspect	Commentary
Revenue	The company experienced a revenue increase from the previous year, indicating positive growth. However, the current quarter's revenue shows a decline compared to the previous quarter, suggesting potential seasonal or operational challenges. Overall, the year-on-year growth remains strong, reflecting effective sales strategies and market demand.
Profit & Loss	Operating profit and PAT show a healthy annual performance, but quarterly figures indicate a decline, suggesting potential cost pressures or revenue fluctuations. The annual PAT growth is negative, highlighting challenges in maintaining profitability. Despite this, EPS growth remains positive, indicating shareholder value enhancement.
Profitability Matrix	The company maintains a strong operating profit margin, reflecting efficient cost management. EBITDA and net profit margins are robust, supporting overall profitability. The EPS figure suggests good earnings performance per share, enhancing investor confidence. These metrics indicate a well-managed financial structure.
Valuation Matrix	The company's valuation metrics, including a high P/E ratio, suggest market confidence but also potential overvaluation. The PEG ratio indicates growth expectations, while EV/EBITDA and P/B ratios reflect the company's market position and asset valuation. These figures highlight investor sentiment and market positioning.
Growth (YoY)	Year-on-year sales growth is positive, indicating strong market performance. However, the decline in PAT growth suggests profitability challenges. EPS growth remains robust, reflecting effective earnings management. Dividend yield is modest, indicating a balanced approach to shareholder returns and reinvestment.
Growth (QoQ)	Quarter-on-quarter sales and PAT growth show declines, indicating potential short-term challenges. The slight QYoY sales growth suggests some resilience, but negative PAT growth highlights profitability pressures. These trends may reflect market volatility or operational adjustments impacting short-term performance.
Capital Allocation	The company demonstrates strong capital allocation with healthy RoE, RoA, and RoCE figures, indicating efficient use of capital. RoIC is also robust, reflecting effective investment strategies. These metrics suggest a well-managed approach to capital deployment, supporting long-term growth and shareholder value.
Holdings	Promoter holdings are significant, indicating strong control and confidence in the company. Institutional holdings by FIIs and DIIs reflect market interest and stability. Public holdings are moderate, suggesting a balanced ownership structure. The number of shares indicates a substantial market presence and liquidity.
Leverage	The company's debt/equity ratio is moderate, indicating a balanced approach to leverage. Total debt is substantial but manageable given the market cap and enterprise value. Cash equivalents provide liquidity, supporting operational flexibility. These metrics suggest prudent financial management and risk mitigation strategies.

Analyst viewpoint: Torrent Power is set for an exciting phase of growth, buoyed by strategic investments and a robust operational strategy. In the recent quarter, the company saw a significant increase in Profit Before Tax by 23%, largely driven by its thermal generation and merchant power sales. This is complemented by its focus on renewable energy, aiming to invest Rs. 35,000 to 40,000 crores over five years, which is likely to enhance its market position and competitive edge. In terms of valuation metrics, Torrent Power's strong operating profit and high trailing P/E ratio reflect investor confidence, despite a noticeable quarterly decline in sales and PAT growth. With a moderate debt-to-equity ratio, the company's capital allocation appears efficient, signified by healthy RoE and RoCE figures, suggesting prudent financial management.

While the company's trajectory is promising, particularly with its expansion into renewable energy, market challenges remain. Torrent Power's strategic initiatives in renewable energy, including a 300 MW solar project and an additional 3 GW in its pipeline, underscore its commitment to sustainable growth. The company's ongoing diversification and exploration into green hydrogen mark significant strides in future-proofing its business model. However, it's worth noting that reliance on merchant power sales could expose the company to market volatility, emphasizing the need for cautious project execution and enhanced risk management. Overall, Torrent Power presents a compelling investment opportunity in the short to mid-term, balancing growth potential with prudent capital management.

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