

Price: 1,558

Recommendation: Buy

Industry: Integrated Power

Sector: Utilities

Report Date: 03-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 2,000 crore CAPEX for the next fiscal year, the company is investing in license distribution and franchisee operations. Its diversification includes a green hydrogen blending project in Uttar Pradesh. Aiming for sustainable growth, Torrent Power plans a 35,000 to 40,000 crore CAPEX over five years, supported by internal cash flows and QIP.

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	34.9	Sales Growth	13.0 %	Sales Growth	-10.25 %
PEG Ratio	2.38	PAT Growth	-15.58 %	Sales Growth QYoY	1.39 %
EV/EBITDA	17.0	EPS Growth	24.33 %	PAT Growth	-20.47 %
P/B	5.84	Dividend Yield	1.05	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	78508 Cr
RoIC	13.0 %	Public	9.42 %	Enterprise value	87370 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 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 for license distribution and 250 crores for franchisee operations. This strategic allocation underscores the company's commitment to strengthening its core business areas while exploring new growth avenues. Additionally, the company is actively pursuing opportunities in the renewable energy sector, with a pipeline of projects that includes a 3 GW renewable energy project and a pump storage project.

Torrent Power's diversification strategy is evident in its pilot project on green hydrogen blending with CNG in Uttar Pradesh, which is one of the largest private sector blending projects in India. This initiative highlights the company's focus on sustainable energy solutions and its efforts to reduce carbon emissions. The company is also exploring opportunities in the merchant power market, leveraging its strong balance sheet to fund projects with a mix of debt and equity. This approach allows Torrent Power to capitalize on favorable market conditions while maintaining financial flexibility. The company's emphasis on renewable energy and innovative projects positions it well for future growth and aligns with global trends towards cleaner energy sources.

Looking ahead, Torrent Power is optimistic about its growth prospects, driven by its robust project pipeline and strategic investments. The company has outlined a CAPEX outlay of 35,000 to 40,000 crores over the next five years, supported by internal cash flows and funds raised through a Qualified Institutional Placement (QIP). This financial strategy ensures that Torrent Power is well-equipped to fund its ambitious expansion plans, including the development of renewable energy projects and infrastructure upgrades. The company's focus on operational efficiency and cost management further enhances its ability to scale operations and deliver sustainable growth.

While Torrent Power's strategic initiatives and growth plans are promising, there are areas where the company could enhance its performance. For instance, the company could benefit from further diversifying its energy portfolio to include more innovative technologies and exploring partnerships to accelerate project execution. Additionally, enhancing stakeholder engagement and communication could strengthen the company's market position and foster greater investor confidence. Overall, Torrent Power's strategic direction and commitment to sustainable growth are commendable, and with continued focus on execution and innovation, the company is well-positioned to achieve its long-term objectives.

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	92273.42	49.10	8.40%	-24.67%	-4.09%	-81.55%	-31.94%
Torrent Power	78508.18	34.93	14.90%	-10.24%	1.40%	-20.56%	-3.92%
NTPC	347770.92	15.87	13.62%	0.80%	5.21%	-4.02%	-1.80%
Power Grid Corpn	278832.14	17.97	19.00%	-0.40%	-2.74%	1.81%	-4.14%
Adani Power	204128.47	15.83	57.06%	2.49%	5.23%	-10.84%	7.38%

Aspect	Commentary
Revenue	The company shows a positive revenue trend with a year-over-year increase, indicating strong sales performance. However, the quarter-over-quarter decline suggests potential seasonal fluctuations or market challenges. This mixed performance requires strategic adjustments to sustain growth and address short-term dips.
Profit & Loss	Operating profit remains robust, reflecting efficient cost management. However, the decline in PAT indicates rising expenses or lower revenue streams impacting net income. This calls for a review of operational strategies to enhance profitability and mitigate factors affecting net earnings.
Profitability Matrix	The company maintains healthy margins, with a strong operating profit margin and EBITDA margin. However, the net profit margin suggests room for improvement in cost control or revenue enhancement. EPS growth is promising, indicating potential for shareholder value increase.
Valuation Matrix	The valuation metrics suggest the company is trading at a premium, with a high P/E ratio and PEG ratio. This indicates market confidence but also implies expectations of continued growth. The EV/EBITDA and P/B ratios further highlight the need for sustained performance to justify valuations.
Growth (YoY)	Year-over-year growth shows a positive sales trajectory, but the decline in PAT growth highlights challenges in converting sales into profits. EPS growth is encouraging, suggesting potential for future earnings expansion. Dividend yield remains modest, indicating a focus on reinvestment.
Growth (QoQ)	Quarter-over-quarter analysis reveals a decline in sales and PAT, suggesting short-term operational challenges. The slight QYoY sales growth indicates resilience, but the negative PAT growth calls for strategic interventions to stabilize and enhance quarterly performance.
Capital Allocation	The company demonstrates effective capital allocation with strong RoE, RoA, and RoCE, indicating efficient use of resources. However, the RoIC suggests potential for improvement in investment returns. Strategic focus on optimizing capital deployment could enhance overall financial health.
Holdings	The promoter holding is stable, reflecting confidence in the company's prospects. Institutional holdings indicate market interest, while public holding suggests a balanced investor base. This structure supports market stability but requires ongoing engagement to maintain investor confidence.
Leverage	The company's leverage is moderate, with a manageable debt/equity ratio. This indicates a balanced approach to financing, allowing for growth while maintaining financial stability. However, the high market cap and enterprise value suggest the need for prudent debt management to sustain leverage.

Analyst viewpoint: Torrent Power Limited is strategically positioned for robust growth in the short to mid-term, underpinned by its significant capital allocation and diversification into renewable energy. The company's growth trajectory is fueled by a planned CAPEX outlay of 35,000 to 40,000 crores over the next five years, focusing on infrastructure and renewable energy projects. This move is bolstered by internal cash flow and funds secured through a Qualified Institutional Placement. Impressively, Torrent Power's commitment to operational efficiency and cost management is evident in its solid operating profit margins, despite short-term challenges in PAT growth. The company's strategic emphasis on diversification, including a 2,000 crore CAPEX plan for license distribution and the launch of a pioneering green hydrogen blending project in Uttar Pradesh, aligns well with global trends towards sustainable energy, presenting significant growth opportunities within the integrated power sector.

Despite a quarter-over-quarter dip in sales, Torrent Power maintains favorable valuation metrics, with a P/E ratio indicating market confidence in continued growth. The company's judicious approach to leveraging its strong balance sheet to fund innovative projects, alongside a moderate debt-to-equity ratio, fortifies its financial stability and growth operability. Competitively, Torrent Power exhibits resilient market positioning with strategic investments aimed at reinforcing its core business strengths, outpacing peers on metrics of sales growth and resource efficiency. While there is potential for improving returns on invested capital, the consideration of stakeholder engagement could further bolster investor confidence. Overall, the company's strategic direction and commitment to innovation and sustainability signal a promising path forward, marred only gently by the need to enhance income conversion from increased sales.

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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