

Price: 306

Recommendation: Buy

Industry: Power - Transmission

Sector: Utilities

Report Date: 16-Apr-2025

Power Grid Corporation of India Limited is enhancing operational efficiency and expanding its business through strategic initiatives. The company focuses on bulk procurement of high-value items and engaging with GIS suppliers to boost manufacturing in India. With a CapEx of 23,000 crores for 2025, it aims for 50% renewable energy consumption. Despite challenges in land acquisition and equipment supply, Power Grid's growth aligns with India's economic and energy goals.

Sales		Profit & Loss		Profitability Matrix	
Current Year	41499 Cr	Operating Profit(Year)	34961 Cr	Operating Profit Margin	84.2 %
Previous Year	43343 Cr	Operating Profit(Quarter)	8523 Cr	EBITDA Margin	95.48 %
Current Quarter	10121 Cr	PAT (Year)	15402 Cr	Net Profit Margin	36.3 %
Previous Quarter	10260 Cr	PAT (Quarter)	3894 Cr	EPS	16.3
Revenue (QYoY)	10677 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	18.7	Sales Growth	-2.74 %	Sales Growth	-1.35 %
PEG Ratio	2.82	PAT Growth	-5.6 %	Sales Growth QYoY	-5.21 %
EV/EBITDA	10.1	EPS Growth	-1.81 %	PAT Growth	4.93 %
P/B	3.12	Dividend Yield	3.66	PAT Growth QYoY	-1.91 %
Capital Allocation		Holdings		Leverage	
RoE	18.2 %	Promoter	51.3 %	Debt/Equity	1.34
RoA	6.24 %	FII	26.8 %	Debt	122540 Cr
RoCE	12.8 %	DII	18.3 %	Market Cap	284738 Cr
RoIC	14.0 %	Public	3.52 %	Enterprise value	401705 Cr
		No of Shares	930 Cr	Cash Equivalents	5573 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent meeting, Power Grid Corporation of India Limited outlined several new initiatives and strategies aimed at enhancing its operational efficiency and expanding its business footprint. The company is focusing on bulk procurement of high-value items like transformers and GIS to mitigate procurement challenges and ensure timely project execution. Additionally, Power Grid is engaging with GIS suppliers to ramp up manufacturing capacity in India, which is expected to streamline supply chains and reduce project delays. The company is also exploring the securitization of cash flows as a monetization strategy, given the constraints imposed by the National Monetization Pipeline guidelines.

Power Grid's business strategies are centered around significant capital expenditure (CapEx) plans and project execution. For the financial year 2025, the company has earmarked a CapEx of 23,000 crores, with a focus on RTM and TCB projects. The company has a robust pipeline of projects worth 1,47,000 crores, including a recent 3,500 crores project in Karnataka. Power Grid is also committed to sustainability, with a target of 50% renewable energy consumption by 2025. The company is tying up with states for green tariffs and has established women-managed substations to promote gender diversity and empowerment.

Looking ahead, Power Grid's growth prospects are buoyed by India's ambitious economic and energy targets. The company is poised to benefit from the government's push towards a \$5 trillion economy, rapid industrialization, and the addition of 500 gigawatts of renewable energy capacity. The company's CapEx plans align with the National Electricity Plan, which outlines significant investments in interstate and intrastate transmission systems. Power Grid's strategic collaborations, such as the Green Loan Agreement with Sumitomo Mitsui Banking Corporation and a partnership with EPRI USA, further bolster its growth and sustainability initiatives.

While Power Grid's outlook is positive, there are areas for improvement. The company faces challenges in land acquisition and equipment supply, which could delay project timelines. Addressing these issues through strategic partnerships and local manufacturing could enhance project execution. Additionally, the company's decision not to disinvest assets in the Power Grid InvIT due to regulatory guidelines has raised concerns among investors. Exploring alternative monetization strategies and maintaining transparent communication with stakeholders could mitigate these concerns and enhance investor confidence. Overall, Power Grid's strategic initiatives and growth plans position it well for future success, provided it navigates the operational challenges effectively.

POWERGRID 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	89108.41	258.55	6.20%	0.24%	13.21%	78.82%	17.98%
NTPC	348401.10	15.90	13.62%	0.80%	5.21%	-4.02%	-1.80%
Power Grid Corpn	284737.94	18.74	18.15%	-1.36%	-5.21%	4.93%	-1.92%
Adani Power	210357.51	16.37	57.06%	2.49%	5.23%	-10.84%	7.38%
Adani Green	149786.18	102.83	14.74%	-22.59%	2.34%	50.70%	51.53%

Aspect	Commentary
Revenue	The company's revenue shows a decline with current year sales at 41499 Cr compared to the previous year's 43343 Cr, indicating a negative growth trend. The quarterly figures also reflect a decrease from 10260 Cr to 10121 Cr, suggesting challenges in maintaining sales momentum.
Profit & Loss	Operating profit for the year stands at 34961 Cr, with a quarterly figure of 8523 Cr. The PAT for the year is 15402 Cr, while the quarterly PAT is 3894 Cr. These figures highlight a stable profit generation capability despite revenue challenges.
Profitability Matrix	The company maintains strong profitability with an operating profit margin of 84.2% and an EBITDA margin of 95.48%. The net profit margin is 36.3%, and EPS is 16.3, indicating efficient cost management and robust earnings per share.
Valuation Matrix	The valuation metrics show a trailing P/E of 18.7 and a PEG ratio of 2.82, suggesting moderate growth expectations. The EV/EBITDA is 10.1, and P/B is 3.12, reflecting a balanced valuation relative to earnings and book value.
Growth (YoY)	Year-over-year growth metrics indicate a decline, with sales growth at -2.74% and PAT growth at -5.6%. EPS growth is slightly negative at -1.81%, while the dividend yield is 3.66, providing some return to shareholders.
Growth (QoQ)	Quarter-over-quarter growth shows a mixed picture with sales growth at -1.35% and PAT growth at 4.93%. The sales growth QYoY is -5.21%, and PAT growth QYoY is -1.91%, indicating some recovery in profitability despite sales challenges.
Capital Allocation	The company demonstrates effective capital allocation with RoE at 18.2%, RoA at 6.24%, RoCE at 12.8%, and RoIC at 14.0%. These metrics reflect strong returns on equity, assets, and invested capital, supporting sustainable growth.
Holdings	The ownership structure is stable with promoters holding 51.3%, FII at 26.8%, DII at 18.3%, and public at 3.52%. The total number of shares is 930 Cr, indicating a well-distributed shareholding pattern that supports market confidence.
Leverage	The leverage position shows a debt/equity ratio of 1.34, with total debt at 122540 Cr. The market cap is 284738 Cr, and enterprise value is 401705 Cr, indicating a manageable debt level relative to market valuation and enterprise value.

Analyst viewpoint: Power Grid Corporation of India Limited's strategic focus on enhancing operational efficiency and business expansion positions it well for growth in the short to mid-term. The company's robust capital allocation plan, earmarking 23,000 crores for projects, underscores its commitment to sustainability and infrastructure development. With a strong return on equity at 18.2% and effective cost management, reflected by impressive profit margins, the company's growth is further supported by strategic collaborations and a favorable regulatory environment. The positive PAT growth of 4.93% QoQ highlights resilience in profitability, while a trailing P/E of 18.74 suggests a balanced valuation. Power Grid is poised to capture growth opportunities aligned with India's ambitious energy targets and rapid industrialization, particularly in the renewable energy sector.

Despite these strengths, Power Grid does face certain challenges that could impact its project timelines, notably in land acquisition and equipment supply. The company's proactive measures in partnering with local suppliers and exploring alternative monetization strategies could mitigate these hurdles. However, mindful navigation through these operational challenges is essential to sustain its growth trajectory and maintain investor confidence. While these challenges do not overshadow the company's substantial growth potential, staying vigilant in addressing these issues will be crucial for long-term success.

Please read detailed disclosure on next page.

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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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