

Project wins and pipeline picking pace...

About the stock: Powergrid is India's largest power transmission utility with transmission lines of 180,239 circuit km (ckm) and 564,961 MVA of transformation capacity.

- Powergrid transmits ~45% of the total power generated in India on its transmission network & owns ~84% of Inter-State transmission system.
- It also undertakes transmission related consultancy to more than 150 domestic clients and owns & operates ~100,000 km of telecom network.

Q4FY25 performance: On the operational front, Standalone revenue declined 5.2% YoY to ₹10,120.7 crore. From a segmental perspective, core transmission revenue stood at ₹10,316 crore down 3.3% YoY. EBITDA came in at ₹8,522 crore down 9.3% on back of muted revenues & 49.9% YoY increase in other expenses. Consequently, PAT came in at ₹3,894 crore down 1.9% YoY. The company declared final dividend of ₹3.25 per share as 2nd interim dividend for FY25. The company incurred capex of ₹26255 crore and capitalised assets of ₹9014 crore in FY25.

Investment Rationale

- Strong project wins to lead to resumption of growth:** In terms of project wins, the company delivered FY25 on a very encouraging trend. In FY25 the company has won projects worth ₹92,000 crore. The company has projects in hands to the tune of ₹1.55 trillion which will be executed over a period of 3-5 years and set the earnings trajectory back on growth path. The company commands ~50% share in TBCB projects coupled with a strong pipeline of tendering in the offing, we believe the company is in a sweet spot to bag large projects over the next 2-3 years.
- Capex to accelerate from FY26E onwards:** The company has surpassed its own capex estimates (₹23000 crore) for FY25. The capex by the company in FY25 stood at ₹26255 crore. Given strong project wins in FY25 and tailwinds in the power transmission space, the company expects a capex of ₹28-30,000 crore for FY26E which will further scaled upto ₹35,000 crore in FY27E and ₹45000 crore in FY28E thereby ensuring resumption of growth. Increase in capex intensity will lead to some reduction in dividends going ahead.

Rating and Target Price

- Strong project wins in FY25E and strong sectoral tailwind coupled with a dominating market share of the company in project wins will put floor to tepid performance of the company. We rate the company as **BUY** rating, target being pegged at ₹350 per share (based on 19x FY27E EPS).



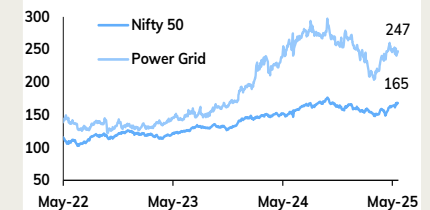
Particulars

Particular	Rs. in crore
Market Cap	2,82,227.0
FY25 Gross Debt	1,30,965.0
F25 Cash	6,419.4
Enterprise Value	4,06,772.6
52 Week H/L (Rs./share)	366/247
Equity Capital	9300.6
Face Value (Rs./share)	10.0

Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	51.3	51.3	51.3	51.3
FII	28.7	28.3	28.1	26.8
DII	16.3	16.9	17.0	18.3
Public	3.6	3.5	3.6	3.6

Price Chart



Key risks

- Lower than expected IRR in the TBCB projects
- Delay in execution on account of right of way issues impacting capitalisation.

Research Analyst

Chirag J Shah
shah.chirag@icicisecurities.com

Samarth Khandelwal
samarth.khandelwal@icicisecurities.com

Key Financial Summary

Particulars (₹ crore)	FY22	FY23	FY24	FY25	3 year CAGR (FY22-25)	FY26E	FY27E	2 year CAGR (FY25-FY27E)
Revenues	39928.1	42098.8	42947.6	42342.2	2.0%	45212.5	47424.1	3.9%
EBITDA	34921.7	36838.2	37311.3	36187.2	1.2%	39412.9	41404.5	4.6%
EBITDA Margin (%)	87.5	87.5	86.9	85.5		87.2	87.3	
Net Profit	17093.8	15805.4	16508.8	15983.9	-2.2%	16406.8	17218.5	2.5%
EPS (₹)	25.5	22.7	17.7	17.2		17.6	18.5	
P/E (x)	11.0	12.4	15.8	16.3		15.9	15.1	
Price / Book (x)	2.0	2.4	3.0	2.8		2.6	2.4	
RoCE (%)	10.2	11.5	12.2	12.0		11.1	11.1	
RoE (%)	23.5	19.6	18.9	17.0		16.4	16.1	

Key Result highlights

- Powergrid incurred capital expenditure (capex) of ₹8604 crore in Q4FY25 and ₹26,255 crore in FY25. This surpassed capex guidance of ₹23000 crore by the company for FY25. Going forward, the company has guided it will incur ₹28000/₹35000/₹45000 crore for FY26E/FY27E/FY28E respectively.
- Asset capitalisation by Power Grid for Q4FY25 stood at ₹1591 as compared to ₹1838 crore in Q4FY24. For the whole year FY25 asset capitalisation stood at ₹9014 crore while for FY24 it was ₹7618 crore. The asset capitalisation fell short due to delays on non-availability of land, supply chain delays, and continued lack of availability of skilled manpower.
- The asset capitalisation of projects delayed in FY25 are expected to be capitalised by Q2 of FY26E.
- The company added 645 circuit km (ckm) of transmission lines and 12,000 MVA of transmission capacity in Q4FY25.
- Major substation projects commissioned in FY25 are: a) 765/400 kV Sikar-II Sub-Station; b) 765/400/220 kV Kurnool-II; c) 765/400 kV Navsari S/s; d) 400/220 kV Navi Mumbai S/s and e) Khavda Pooling Station-II (KPS-II)
- The company has efficiently commissioned substations within 10 months of land made available. The company aims to complete substation projects within 9-10 months going forward.
- Major transmission lines commissioned in FY25 are: a) 765 kV D/C - Fatehgarh-II - Bhadla-II line; Bhadla II - Sikar II line; Sikar II - Aligarh line; and Kurnool III (PS) - Kurnool (new); and b) 400kV D/C - Navasari (New) - Magarwada; Sikar II - Neemrana line; Jamnagar - Jam Khambaliya line; Raipur Pool - Dhamtari line and Banaskantha - Sankhari line.
- The company won 24 projects in FY25 with the project cost at ~₹92000 crore. Major projects won are a) transmission system (TS) for evacuation of power from Rajasthan REZ Phase - IV (3.5 GW); b) TS for evacuation of power from potential RE zone in Khavda area of Gujarat under Phase-V (8 GW) Part A KPS2-Nagpur HVDC project; c) TS for integration of Kurnool IV REZ Phase I (4.5GW) and d) RE evacuation in Khavda area of Gujarat under Phase-IV (7 GW): Part B.
- The Leh HVDC project is progressing well, company has acquired land, Infrastructure development work has begun and equipment tender expected to be awarded by Q2FY26E.
- Work in hand stands at ₹1.55 trillion which comprises of TBCB of ₹1.05 trillion, new RTM of ₹37,221 crore, ongoing RTM of ₹9,580 crore and others at ₹2785 crore.
- The company currently foresees business prospects of ~₹45,000 crore in FY26E and a total of ₹3.07 trillion by FY32E with ~97% in transmission business.
- Powergrid maintains a market share of 57% in terms of NCT costs and 54% in terms of project wins. Power Grid expects to maintain market share of over 50-60% in project wins resulting in strong opportunity.
- Power grid maintained healthy realisations at 103.8% in FY25.
- The debt on the balance sheet as of FY25 stood at ₹130,965 crore vs. ₹123,449 crore in FY24. The average cost of borrowing stood at ₹7.54%. The gross block and CWIP as of FY25 stood at ₹290,715 crore and ₹36,341 crore.

Key Financials

Exhibit 1: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Total operating Income	42,948	42,342	45,212	47,424
Growth (%)	26	-1	7	5
Employee Expenses	2,377	2,593	2,522	2,562
Other expenses	3,259	3,562	3,277	3,457
Total Operating Expenditu	5,636	6,155	5,800	6,020
EBITDA	37,311	36,187	39,413	41,405
Growth (%)	27	-3	9	5
Depreciation	12,558	12,352	15,295	16,087
Interest	9,047	9,479	8,934	9,189
Other Income	3,434	4,894	3,893	3,893
PBT	19,140	19,249	19,077	20,021
Others	2	3	4	5
Total Tax	3,089	2,711	2,155	2,632
PAT	16,509	15,984	16,407	17,219
EPS (Rs.)	17.7	17.2	17.6	18.5

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit Before Tax	19,140	19,249	19,077	20,021
Add: Depreciation	12,558	12,352	15,295	16,087
(Inc)/dec in Current Assets	-3,313	-949	-3,546	-1,969
Inc/(dec) in CL and Provisions	4,902	-1,171	-1,937	8,202
Others	7,204	7,193	7,064	7,227
CF from operating activities	40,491	36,675	35,954	49,568
(Inc)/dec in Fixed Assets	-20,140	-20,140	-20,140	-20,141
(Inc)/dec in Disposals	21	20	19	18
Others	0	1	2	3
CF from investing activities	(20119)	(20119)	(20119)	(20119)
Issue/(Buy back) of Equity	2,336	0	0	0
Inc/(dec) in loan funds	-10,059	2,012	6,036	4,024
Dividend paid & dividend tax	-9,905	-9,590	-9,844	-10,331
Inc/(dec) in Sec. premium	0	1	2	3
Others	-9,047	-9,479	-8,934	-9,189
CF from financing activities	(26676)	(17056)	(12739)	(15493)
Net Cash flow	233	4,683	-6,028	11,078
Opening Cash	4,445	1,893	3,695	3,644
Closing Cash	1893	3695	3644	6524

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Liabilities				
Equity Capital	9,311	9,311	9,311	9,311
Reserve and Surplus	78,058	84,452	91,014	97,902
Total Shareholders funds	87,369	93,762	1,00,325	1,07,212
Total Debt	1,42,141	1,44,153	1,50,189	1,54,213
AAD	0	0	0	0
Minority Interest / Others	3,827	3,827	3,827	3,827
Total Liabilities	233337	241742	254341	265253
Assets				
Gross Block	3,31,113	3,50,254	3,69,394	3,88,535
Less: Acc Depreciation	1,21,891	1,34,244	1,49,538	1,65,625
Net Block	2,09,222	2,16,010	2,19,856	2,22,910
Capital WIP	59,810	60,810	61,810	62,810
Total Fixed Assets	2,69,032	2,76,820	2,81,666	2,85,720
Investments	1,313	1,293	1,273	1,255
Inventory	1,768	1,893	1,707	1,765
Debtors	8,229	9,189	14,884	11,540
Loans and Advances	10,199	10,811	11,399	6,442
Other Current Assets	4,295	4,234	4,521	4,742
Cash	1,893	3,695	3,644	6,524
Total Current Assets	26,383	29,823	36,155	31,013
Current liabilities	45,212	44,549	37,868	34,486
Other Liabilities	9,126	9,973	9,176	9,680
Total Current Liabilities	54,338	54,523	47,044	44,167
Net Current Assets	-32,473	-29,217	-15,406	-17,671
Application of Funds	233337	241742	254341	265253

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (Rs.)				
EPS	17.7	17.2	17.6	18.5
Cash EPS	41.7	40.6	45.4	47.7
BV	93.8	100.7	107.7	115.1
DPS	7.5	14.7	13.6	14.2
Cash Per Share	2.7	5.3	5.2	9.4
Operating Ratios (%)				
EBITDA Margin	86.9	85.5	87.2	87.3
PBT / Total Operating income	44.6	45.5	42.2	42.2
PAT Margin	38.4	37.7	36.3	36.3
Debtor days	69.9	79.2	120.2	88.8
Return Ratios (%)				
RoE	18.9	17.0	16.4	16.1
RoCE	12.3	12.1	11.2	11.2
RoIC	12.4	12.3	11.3	11.5
Valuation Ratios (x)				
P/E	16.8	17.4	16.9	16.1
EV / EBITDA	11.2	11.5	10.8	10.3
EV / Net Sales	9.7	9.9	9.4	9.0
Market Cap / Sales	6.5	6.6	6.1	5.9
Price to Book Value	3.2	3.0	2.8	2.6
Solvency Ratios				
Debt/EBITDA	3.8	4.0	3.8	3.7
Debt / Equity	1.6	1.5	1.5	1.4
Current Ratio	0.5	0.5	0.8	0.7
Quick Ratio	0.0	0.1	0.1	0.1

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal
Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headservation@icicidirect.com Contact Number: 18601231122

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