

Capitalisation to pick up pace from H2FY26 onwards

About the stock: PowerGrid is India's largest power transmission utility with transmission lines of 181,054 circuit km (ckm) and 582,516 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.

Q2FY26 performance: Powergrid reported muted set of Q2FY26 results. Standalone revenue declined 2.5% YoY to ₹10,000 crore. From a segmental perspective, core transmission revenue stood at ₹9920 crore down 3.4% given past couple of quarters have seen tepid asset addition. EBITDA and PAT margins declined 550 bps and 130 bps YoY respectively. EBITDA came in at ₹8009 crore down 8.8% YoY. Consequently, PAT came in at ₹3555 crore down 4.2% YoY. Power grid announced dividend of ₹4.5 per share.

Investment Rationale

- Strong pipeline of projects:** The company has projects in hands to the tune of ₹152287 crore vs. ₹143000 crore YoY which will be executed over a period of 3-5 years and set the earnings trajectory back on growth path. Out of the total prospects, TBCB projects are at ₹103000 crore, Ongoing RTM at ₹9542 crore and new RTM at ₹37100 crore. 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:** As of H1FY26, the company has incurred a capex of ₹15385 crore vs ₹10,000 crore in H1FY25 and has guided yearly capex of ₹28-30,000 crore for FY26E. Given strong project wins in FY25 and tailwinds in the power transmission space, the company expects a capex of ₹35,000 crore for FY27E which will further scaled upto ₹45,000 crore in FY28E. The company capitalised assets worth ₹4587 crore in H1FY26 and expects to capitalise another ~₹15400 crore in H2FY26.

Rating and Target Price

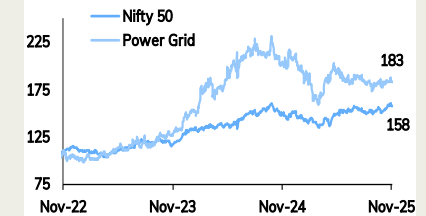
- Strong project pipeline, capex intensity over FY26-FY28E and strong sectoral tailwind coupled with a dominating market share of the company in project wins will put floor to tepid performance of the company. We rate the company as BUY rating, with target of ₹312 (based on 16x FY27E EPS).

**Particulars**

Particular	Rs. (in crore)
Market Capitalisation	2,64,137
Total Debt (H1FY26)	1,35,923
Cash and Inv (H1FY26)	5,320
Enterprise Value	3,94,740
52 week H/L (Rs.)	345/247
Equity capital	9,301
Face value (Rs.)	10

Shareholding pattern

%	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	51.3	51.3	51.3	51.3
FII	28.1	26.8	26.5	25.7
DII	17.0	18.3	18.5	19.3
Public	3.5	3.6	3.7	3.7

Price Chart**Key risks**

- Slowdown in power demand
- Delay in execution of renewable capacity.

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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	43280.3	43046.8	2.5%	44218.0	47434.9	3.3%
EBITDA	34921.7	36838.2	37914.7	37467.2	2.4%	38555.0	41530.5	3.5%
EBITDA Margin (%)	87.5	87.5	87.6	87.0		87.2	87.6	
Net Profit	17093.8	15805.4	16719.8	15837.2	-2.5%	16326.7	18135.3	4.6%
EPS (₹)	25.5	22.7	18.0	17.0		17.5	19.5	
P/E (x)	11.2	12.6	15.1	15.9		15.5	13.9	
Price / Book (x)	2.0	2.4	2.9	2.7		2.5	2.3	
RoCE (%)	10.2	11.5	12.2	11.5		11.3	11.8	
RoE (%)	23.5	19.6	19.1	16.9		16.3	16.9	

Key Result highlights

- The company incurred a capex of ₹8404 crore incurred in Q2FY26 (vs. ₹5387 crore YoY) whereas asset capitalisation was ₹2205 crore. The company has guided for an asset capitalisation of ₹20000 crore. The capex target set for FY26E set at ₹28000 crore.
- System availability in Q2FY26 stood at 99.83%
- Consultancy revenue increased 40% YoY to ₹220 crore driven by growth from smart meters consultancy.
- Revenue declined due to old RTM projects which received 11-12% of revenue as a % of cost of asset vs 17% previously. This is in normal course of business. As power grid capitalises more assets, decline in revenue due to older assets will be compensated sufficiently.
- Profitability is impacted (4% YoY in Q2FY26) by higher ratio of annual CSR expenses recorded in H1FY26 vs H1FY25, this is expected to normalise over FY26E. FY25 also had one time income on a favourable regulatory ruling.
- The company has added 205 circuit km (ckm) of transmission lines and 11185 MVA of transmission capacity during Q2FY26 and 852 ckm and 30555 MVA in H1FY26
- The debt on the balance sheet as of H1FY26 stood at ₹135,923 crore vs. ₹122,499 crore in H1FY25. The gross block and CWIP as of H1FY26 stood at ₹295148 crore and ₹47782 crore. The equity infused in operational TBCB projects stood at ₹4956 crore while equity in under construction TBCB projects stands at ₹3488 crore.
- Work in hand stands at ₹152,287 crore which comprises of RTM of ₹9542 crore, new RTM of ₹37,100 crore and TBCB of ₹102992 crore.
- Powergrid has placed orders well in time which ensure timely delivery of transmission equipment thus, there is no delay due to equipment shortage in the industry.
- On HVDC side, Khavda-South Olpad has been closed and Barmer-South Kalamb project's NCT has been approved, it is expected to finalize in H2FY26.
- Due to terrain complications, Leh Pang-Kaithal HVDC is not feasible resulting in only one participant in the tender. Power Grid is in consultation with government to develop transmission lines on HVAC. The estimated cost of Pang-Kaithal HVDC project was estimated at ~₹20,000 crore in 2023 however with developments in transmission space estimated cost to install transmission line has risen to ~₹40-45000 crore (with HVDC) and ₹30,000 crore (with HVAC).
- The data centre being developed of 1000 racks is delayed and expected to commission by Q4FY26E.
- Powergrid has developed cross arm insulated transmission line which is expected to result in reduction of right of way issues by 20% and also result in saving trees. Currently Powergrid is installing in 400 kV transmission line at Narela to Maharani in Delhi across a distance of ~46 km.
- Powergrid has guided, ₹3 trillion worth of projects yet to be awarded of the total 9 trillion worth projects as per NEP 2022. This provides healthy order pipeline visibility over the medium term.
- On a longer term, Powergrid has identified 76 GW Hydroelectric potential across Brahmaputra basin providing opportunities worth ₹1.91 trillion upto 2035 and ₹4.5 trillion beyond 2035. With 42GW of HVDC corridors planned in Namsai, Roing (new), Niglok, Silapathar, Gogamukh (New) and Rowta for bulk power transfer.

Key Financials

Exhibit 1: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Total operating Income	43,280	43,047	44,218	47,435
Growth (%)		-1	3	7
Employee Expenses	2,442	2,482	2,522	2,562
Other expenses	2,923	3,097	3,141	3,342
Total Operating Expenditure	5,366	5,580	5,663	5,904
EBITDA	37,915	37,467	38,555	41,531
Growth (%)		-1	3	8
Depreciation	13,710	14,502	15,059	15,758
Interest	8,295	8,258	8,404	8,579
Other Income	3,531	3,708	3,893	3,893
PBT	19,441	18,415	18,984	21,087
Others	2	3	4	5
Total Tax	3,089	2,711	2,155	2,722
PAT	16,720	15,837	16,327	18,135
Growth (%)		-5	3	11
EPS (Rs.)	18.0	17.0	17.5	19.5

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit Before Tax	19,441	18,415	18,984	21,087
Add: Depreciation	13,710	14,502	15,059	15,758
(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	6,390	6,453	6,544	6,512
CF from operating activities	41,129	37,250	35,105	49,590
(Inc)/dec in Fixed Assets	-20,140	-20,140	-14,459	-17,868
(Inc)/dec in Disposals	21	20	19	18
Others	0	1	2	3
CF from investing activities	(20119)	(20119)	(14437)	(17847)
Issue/(Buy back) of Equity	2,336	0	0	0
Inc/(dec) in loan funds	-12,071	-1,006	2,166	2,677
Dividend paid & dividend tax	-10,032	-9,502	-9,796	-10,881
Inc/(dec) in Sec. premium	0	1	2	3
Others	-8,295	-8,258	-8,404	-8,579
CF from financing activities	(28062)	(18765)	(16032)	(16779)
Net Cash flow	233	4,683	-6,028	11,078
Opening Cash	4,445	457	1,002	2,123
Closing Cash	457	1,002	2,123	6,512

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	78,143	84,478	91,008	98,262
Total Shareholders funds	87,453	93,788	1,00,319	1,07,573
Total Debt	1,40,129	1,39,123	1,41,289	1,43,966
AAD	0	0	0	0
Minority Interest / Others	3,827	3,827	3,827	3,827
Total Liabilities	231409	236738	245435	255366
Assets				
Gross Block	3,31,113	3,50,254	3,63,712	3,80,580
Less: Acc Depreciation	1,23,043	1,37,545	1,52,604	1,68,362
Net Block	2,08,071	2,12,709	2,11,108	2,12,218
Capital WIP	59,810	60,810	61,810	62,810
Total Fixed Assets	2,67,881	2,73,519	2,72,919	2,75,029
Investments	1,313	1,293	1,273	1,255
Inventory	1,585	1,646	1,636	1,706
Debtors	8,229	9,189	14,884	11,540
Loans and Advances	10,199	10,811	11,399	6,492
Other Current Assets	4,328	4,305	4,422	4,743
Cash	457	1,002	2,123	6,512
Total Current Assets	24,798	26,953	34,464	30,994
Current liabilities	45,394	44,966	36,340	33,940
Other Liabilities	8,185	8,672	8,794	9,357
Total Current Liabilities	53,579	53,638	45,133	43,297
Net Current Assets	-33,299	-31,202	-15,187	-16,821

Application of Funds **231409** **236738** **245435** **255366**

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (Rs.)				
EPS	18.0	17.0	17.5	19.5
Cash EPS	43.6	43.5	45.0	48.6
BV	93.9	100.7	107.7	115.5
DPS	7.5	14.7	13.6	14.4
Cash Per Share	0.7	1.4	3.0	9.3
Operating Ratios (%)				
EBITDA Margin	87.6	87.0	87.2	87.6
PBT / Total Operating income	44.9	42.8	42.9	44.5
PAT Margin	38.6	36.8	36.9	38.2
Debtor days	69.4	77.9	122.9	88.8
Return Ratios (%)				
RoE	19.1	16.9	16.3	16.9
RoCE	12.2	11.5	11.3	11.8
RoIC	12.2	11.5	11.4	12.1
Valuation Ratios (x)				
P/E	15.1	15.9	15.5	13.9
EV / EBITDA	10.3	10.4	10.2	9.4
EV / Net Sales	9.1	9.1	8.9	8.2
Market Cap / Sales	5.8	5.9	5.7	5.3
Price to Book Value	2.9	2.7	2.5	2.3
Solvency Ratios				
Debt/EBITDA	3.7	3.7	3.7	3.5
Debt / Equity	1.6	1.5	1.4	1.3
Current Ratio	0.5	0.5	0.8	0.7
Quick Ratio	0.0	0.0	0.0	0.2

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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