

Powergrid (POWGRI)

CMP: ₹ 290

Target: ₹ 350 (21%) Target Period: 12-15 months

BUY

February 4, 2026

Structural execution uplift

About the stock: PowerGrid is India's largest power transmission utility with transmission lines of 183,174 circuit km (ckm) and 599,016 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.

Q3FY26 performance: Powergrid reported modest set of Q3FY26 results after many quarters of revenue decline. Standalone revenue grew 8.7% YoY to ₹11005 crore. From a segmental perspective, core transmission revenue stood at ₹10903 crore grew 9.7% YoY given projects won in FY24-FY25 will now enter the stage of capitalisation which will lead to flow into the revenue and profitability performance. EBITDA came in at ₹9412 crore up 11% YoY. Consequently, PAT came in at ₹ 4160 crore up 7% YoY. The company declared interim dividend of ₹1.5 per share.

Investment Rationale

- Strong pipeline of projects:** Company has ₹1,45,513 crore of works in hand (TBCB ~₹109767 crore), providing near-term revenue visibility. Beyond this, the transmission opportunity pipeline stands at ~₹6.6 lakh crore till FY32, of which ~₹2.3 lakh crore is already under execution, ₹55,000 crore is currently under bidding, and ₹15,000 crore is approved but yet to be bid. The balance ~₹3.6 lakh crore is expected to be tendered over the next four years (average ~₹90,000 crore per year). Large HVDC projects such as Barmer-South Kalamb and Bikaner-V-Begunia (each ~₹35,000 crore) are likely to be awarded in FY27, enhancing long-duration execution visibility.
- Improving capitalisation momentum:** Structural easing of right-of-way challenges following revised compensation norms, faster state-level adoption and proactive transformer procurement have materially improved execution momentum. This is reflected in the upward revision of FY26 capex guidance to ₹32,000 crore (vs. earlier ~₹28,000 crore) and capitalisation to ₹22,000 crore (vs. earlier ₹20,000 crore), with management guiding further scale-up to ₹37,000 crore capex and ₹30,000 crore capitalisation in FY27, and ₹45,000 crore capex and ₹35,000 crore capitalisation in FY28, supported by a strong commissioning pipeline.

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 ₹350 (based on 16x FY28E EPS).



Particulars

Particular	Rs. (in crore)
Market Capitalisation	269,252
Total Debt (H1FY26)	135,923
Cash and Inv (H1FY26)	5,320
Enterprise Value	399,855
52 week H/L (Rs.)	322/247
Equity capital	9,301
Face value (Rs.)	10

Shareholding pattern

%	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	51.3	51.3	51.3	51.3
FII	26.8	26.5	25.7	24.7
DII	18.3	18.5	19.3	20.2
Public	3.6	3.7	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)	FY23	FY24	FY25	2 year CAGR (FY23-25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-FY28E)
Revenues	42099	43280	43047	1.1%	44424	48426	54768	8.4%
EBITDA	36838	37915	37467	0.9%	38760	42464	48418	8.9%
EBITDA Margin (%)	87.5	87.6	87.0		87.3	87.7	88.4	
Net Profit	15805	16720	15837	0.1%	15880	17292	20393	8.8%
EPS (₹)	22.7	18.0	17.0		17.1	18.6	21.9	
P/E (x)	12.6	15.1	15.9		17.0	15.6	13.2	
Price / Book (x)	2.4	2.9	2.7		2.7	2.5	2.3	
RoCE (%)	11.5	12.2	11.5		11.0	11.1	11.8	
RoE (%)	19.6	19.1	16.9		15.9	16.2	17.7	

Key Result highlights

- The company incurred a capex of ₹11,376 crore in Q3FY26 (vs. ₹7,469 crore YoY) whereas asset capitalisation was ₹9,027 crore. FY26 capex guidance has been raised to ₹32,000 crore (vs. earlier ₹28,000 crore), while capitalization guidance is increased to ₹22,000 crore (vs. earlier ₹20,000 crore). For 9MFY26, capex stood at ₹26,761 crore, already surpassing last year's ₹17,651 crore, with full-year capex expected to cross ₹32,000 crore by March 2026.
- Standalone revenue grew 8.7% YoY to ₹11005 crore. From a segmental perspective, core transmission revenue stood at ₹10903 crore grew 9.7% YoY
- System availability in Q3FY26 stood at 99.84%
- Consultancy revenue increased 46% YoY to ₹210 crore driven by growth from smart meters consultancy.
- The company has added 2120 circuit km (ckm) of transmission lines and 16500 MVA of transmission capacity during Q3FY26.
- Debt on the balance sheet as of 9MFY26 stood at ₹143,077 crore vs. ₹129,288 crore in 9MFY25. The gross block and CWIP as of 9MFY26 stood at ₹304336 crore and ₹50173 crore. The equity infused in operational TBCB projects stood at ₹5543 crore while equity in under construction TBCB projects stands at ₹4268 crore.
- Work in hand stands at ₹1,45,513 crore which comprises of RTM of ₹9934 crore, new RTM of ₹23608 crore and TBCB of ₹109767 crore.
- Billing of ₹28,161 crore during Q3FY26 translated into ₹29,024 crore realizations (103.1%), with lowest-ever trade receivable days of 24.65 days at Q3FY26 end
- Company commissioned its first BESS project in Andhra Pradesh (150 MW / 350 MWh, capex ~₹250 crore, annual tariff ~₹29.5 crore) and plans aggressive participation in upcoming storage tenders. Internationally, it entered Africa through a \$311 million Kenya transmission PPP with Africa50, marking its first independent transmission project in Africa.
- Management highlighted that execution challenges seen last year (RoW, clearances, supply constraints) have largely eased, resulting in a sharp improvement in project commissioning and capitalization during Q3FY26 and January, indicating a structural rather than temporary recovery.
- Company has commissioned Asia's first 315 MVA transformer using synthetic ester oil, enhancing fire safety and sustainability.
- Management indicated a ₹6.6 lakh crore transmission opportunity pipeline till FY32, of which ₹2,30,000 is currently under execution, ₹55,000 crore is currently under bidding, ₹15,000 crore approved but yet to be bid, and ₹3.6 lakh crore expected to come up over the next four years (~average ₹90,000 crore per year), underpinning long-term order inflows
- Revised RoW compensation norms (market-linked rates, higher rural/urban compensation) have materially improved ground-level progress. While transformer/reactor capacity remains tight, management is proactively engaging OEMs and expects capacity augmentation (including potential policy support) to ease constraints over the next 2-3 years.
- Management indicated that large HVDC projects, including Barmer– South Kalamb HVDC link and Bikaner V– Begunia HVDC corridor (each ~₹35,000 crore), are likely to be awarded in FY27.

Key Financials

Exhibit 1: Profit and loss statement				
(Year-end March)	FY25	FY26E	FY27E	₹ crore
Total operating Income	43,047	44,424	48,426	54,768
Growth (%)	-1	3	9	13
Employee Expenses	2,482	2,522	2,562	2,602
Other expenses	3,097	3,141	3,400	3,748
Total Operating Expenditure	5,580	5,663	5,962	6,350
EBITDA	37,467	38,760	42,464	48,418
Growth (%)	-1	3	10	14
Depreciation	14,502	15,530	16,813	18,352
Interest	8,258	8,659	9,437	10,246
Other Income	3,708	3,893	3,893	3,893
PBT	18,415	18,464	20,107	23,712
Others	3	4	5	6
Total Tax	2,711	2,155	2,722	2,578
PAT	15,837	15,880	17,292	20,393
Growth (%)	-5	0	9	18
EPS (Rs.)	17.0	17.1	18.6	21.9

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				
(Year-end March)	FY25	FY26E	FY27E	₹ crore
Profit Before Tax	18,415	18,464	20,107	23,712
Add: Depreciation	14,502	15,530	16,813	18,352
(Inc)/dec in Current Assets	-949	-3,546	-1,969	-6,626
Inc/(dec) in CL and Provisions	-1,171	-1,937	8,202	9,355
Others	6,453	6,850	7,466	7,923
CF from operating activities:	37,250	35,362	50,619	52,716
(Inc)/dec in Fixed Assets	-20,140	-25,822	-31,995	-38,167
(Inc)/dec in Disposals	20	19	18	17
Others	1	2	3	3
CF from investing activities (20119)	(25801)	(31973)	(38147)	
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	-1,006	6,451	12,790	13,352
Dividend paid & dividend ta	-9,502	-9,528	-10,375	-12,236
Inc/(dec) in Sec. premium	1	2	3	3
Others	-8,258	-8,659	-9,437	-10,246
CF from financing activities (18765)	(11734)	(7018)	(9127)	
Net Cash flow	4,683	-6,028	11,078	-13,597
Opening Cash	457	1,002	6,712	9,403
Closing Cash	1,002	6,712	9,403	8,941

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet				
(Year-end March)	FY25	FY26E	FY27E	₹ crore
Liabilities				
Equity Capital	9,311	9,311	9,311	9,311
Reserve and Surplus	84,478	90,829	97,746	1,05,903
Total Shareholders funds	93,788	1,00,140	1,07,057	1,15,214
Total Debt	1,39,123	1,45,573	1,58,364	1,71,716
AAD	0	0	0	0
Minority Interest / Others	3,827	3,827	3,827	3,827
Total Liabilities	236738	249541	269248	290757
Assets				
Gross Block	3,50,254	3,75,076	4,06,070	4,43,237
Less: Acc Depreciation	1,37,545	1,53,075	1,69,888	1,88,240
Net Block	2,12,709	2,22,001	2,36,183	2,54,998
Capital WIP	60,810	61,810	62,810	63,810
Total Fixed Assets	2,73,519	2,83,812	2,98,993	3,18,808
Investments	1,293	1,273	1,255	1,238
Inventory	1,646	1,636	1,736	1,875
Debtors	9,189	14,884	11,540	10,762
Loans and Advances	10,811	11,399	6,492	6,457
Other Current Assets	4,305	4,442	4,843	5,477
Cash	1,002	6,712	9,403	8,941
Total Current Assets	26,953	39,073	34,013	33,511
Current Liabilities	44,966	46,926	46,287	46,196
Other Liabilities	8,672	8,794	9,520	10,494
Total Current Liabilities	53,638	55,720	55,807	56,690
Net Current Assets	-31,202	-21,164	-26,312	-27,696
Application of Funds	236738	249541	269248	290757

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY25	FY26E	FY27E	FY28E
Per share data (Rs.)				
EPS	17.0	17.1	18.6	21.9
Cash EPS	43.5	45.0	48.9	55.5
BV	100.7	107.6	115.0	123.7
DPS	14.7	13.6	14.4	13.6
Cash Per Share	1.4	9.6	13.5	12.8
Operating Ratios (%)				
EBITDA Margin	87.0	87.3	87.7	88.4
PBT / Total Operating income	42.8	41.6	41.5	43.3
PAT Margin	36.8	35.7	35.7	37.2
Debtor days	77.9	122.3	87.0	71.7
Return Ratios (%)				
RoE	16.9	15.9	16.2	17.7
RoCE	11.5	11.0	11.1	11.8
RoIC	11.5	11.3	11.5	12.2
Valuation Ratios (x)				
P/E	17.0	17.0	15.6	13.2
EV / EBITDA	10.9	10.5	9.9	8.9
EV / Net Sales	9.5	9.2	8.7	7.9
Market Cap / Sales	6.3	6.1	5.6	4.9
Price to Book Value	2.9	2.7	2.5	2.3
Solvency Ratios				
Debt/EBITDA	3.7	3.8	3.7	3.5
Debt / Equity	1.5	1.5	1.5	1.5
Current Ratio	0.5	0.7	0.6	0.6
Quick Ratio	0.0	0.1	0.2	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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