

### 3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗
+ Positive	= Neutral	- Negative	

### What has changed in 3R MATRIX

	Old		New
RS	✓	↔	✓
RQ	✓	↔	✓
RV	✓	↔	✓

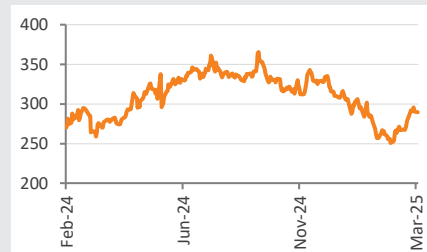
### Company details

Market cap:	Rs. 2,69,252 cr
52-week high/low:	Rs. 366 / 248
NSE volume: (No of shares)	136.9 lakh
BSE code:	532898
NSE code:	POWERGRID
Free float: (No of shares)	453.0 cr

### Shareholding (%)

Promoters	51.3
FII	28.1
DII	17.0
Others	3.6

### Price chart



Source: NSE India, Mirae Asset Sharekhan Research

### Price performance

(%)	1m	3m	6m	12m
Absolute	15.4	-6.2	-18.0	4.6
Relative to Sensex	11.2	-3.5	-8.1	-0.4

Source: Mirae Asset Sharekhan Research, Bloomberg

## Power Grid Corporation of India Ltd

### Good order wins and capex outlook

Power	Sharekhan code: POWERGRID		
Reco/View: Buy	↔	CMP: Rs. 290	Price Target: Rs. 350 ↔
↑ Upgrade	↔ Maintain	↓ Downgrade	

### Summary

- Power Grid has won 11 TBCB orders in the current quarter.
- Management had increased the capex guidance to Rs. 23,000 crore in FY25 from Rs. 20,000 crore previously. For FY26/FY27, guidance is of Rs. 28,000-30,000/35,000 crore respectively.
- Tighter CERC norms for O&M allowances and weak capitalization have affected the recent results of the company.
- The strong capex/capitalization expectation provides good earnings visibility for the future. Hence, we maintain a Buy with an unchanged PT of Rs. 350. Also, the company has a healthy RoE of 18% and a decent dividend yield of 3%. At CMP, it trades at 2.8x/2.6x its FY26/27 P/BV.

**Power Grid has won 11 TBCB projects after the Q3FY25 results and the company maintains a strong win ratio (>50%) in its projects. The company is on track for a large capex of Rs. ~3.3 lakh crore till FY32 because of the strong renewable energy capacity addition in India. The company has guided for a dividend of Rs. 9/share in FY25. It is lesser than FY24 dividend of Rs. 11.25/share as the company's capex outlook has increased materially.**

- Capex/capitalization trends:** The 9MFY25 capex/capitalization of the company has been Rs. 17,651/7,423 crore respectively. The capitalization has been below expectations, and it has affected the results as well. The company guided for capitalization of Rs. 18,000 crore at the end of FY25 and had given a project-wise breakup of how it is expected to be achieved. The capitalization guidance for FY26/27 is Rs. 25,000/35,000 crore respectively. The capex guidance for FY25/26/27 is Rs. 23,000/28,000-30,000/35,000 crore respectively.
- Capex outlook:** Power Grid is a play on the strong renewable energy push by the government and its target of 500 GW non-fossil fuel capacity by 2030 (215 GW currently). Also, additional transmission capacity will be required for Green Hydrogen, Battery Energy Storage Systems (BESS) and Pumped Hydro projects. A cumulative capex of Rs. 9.2 lakh crore is expected from 2022-32 with the share of Inter State Transmission system (ISTS) to be Rs. 6.6 lakh crore and the balance Rs. 2.55 lakh crore for Intra-state. Power Grid is a leader in ISTS and has less presence in Intra-state transmission system. The company has orders in hand of Rs. 1,43,749 crore. The breakup of the orders is as follows: Ongoing Regulated Tariff Mechanism (RTM) projects – Rs. 8,333 crore, New RTM projects – Rs. 38,568 crore, TBCB projects – Rs. 93,681 crore and Other – Rs. 3,168 crore. The company expects to win further projects worth Rs. ~1.9 lakh crore till FY32 in addition to the existing orderbook.

### Our Call

**Valuation – Maintain a Buy rating with an unchanged PT of Rs. 350:** Power Grid has a robust project pipeline worth Rs. 1,43,749 crore (at the end of Q3 FY25) and the company is expected to win more Rs. 1.9 lakh crore of projects till FY32, implying a total capex of Rs. 3.3 lakh crore which offers good earnings visibility. We expect a decent 6% CAGR in PAT over FY2024-FY2027E. We maintain our Buy rating with an unchanged PT of Rs. 350. Also, the company has a healthy RoE of 18% and a dividend yield of ~3%. At CMP, it trades at 2.8x/2.6x its FY26/27 P/BV.

### Key Risks

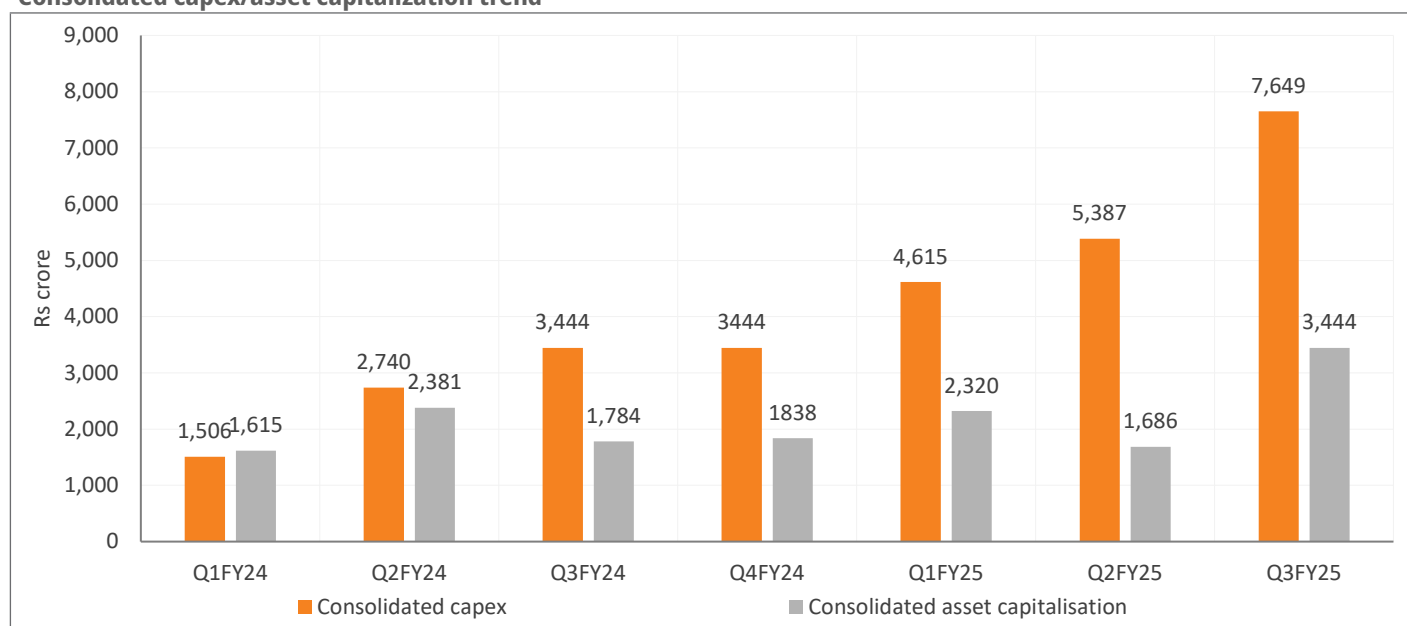
- Slower-than-expected capitalization of projects and
- Inability to win new projects under the tariff-based competitive bidding route.

### Valuation (Consolidated)

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Revenue	45,581	45,843	47,081	50,377	53,752
OPM (%)	86.6	87.0	85.6	86.1	86.3
Adjusted PAT	15,417	15,573	15,090	16,813	18,339
y-o-y growth (%)	14.2	1.0	(3.1)	11.4	9.1
Adjusted EPS (Rs.)	16.6	16.7	16.2	18.1	19.7
P/E (x)	17.5	17.3	17.9	16.0	14.7
Price/ Book (x)	3.2	3.1	3.0	2.8	2.6
EV/EBITDA (x)	9.9	9.7	9.9	9.2	8.6
RoCE (%)	12.0	12.4	12.3	12.8	13.2
RoE (%)	19.4	18.3	16.9	17.9	18.3

Source: Company; Mirae Asset Sharekhan estimates

## Consolidated capex/asset capitalization trend



Source: Company; Mirae Asset Sharekhan Research

## Outlook and Valuation

### ■ Sector View – Strong renewable capacity addition provides good runway for transmission

The government has a plan to increase the renewable energy capacity to 500GW by 2030 from 215GW currently. Green hydrogen production would need an additional 125GW capacity. In Energy storage, BESS and Pumped Hydro storage would add another ~80 GW capacity. This strong addition provides good grid connectivity visibility for the coming years. The National Electricity Plan (NEP) has outlined a capex of Rs. 9.16 lakh crore till FY32.

### ■ Company Outlook – Decent earnings growth prospects

Good capitalization in the next few years and a robust work-in-hand pipeline of ~Rs. 1,43,749 crore provides decent earnings growth visibility (we expect 10% PAT CAGR over FY2025-FY2027E). Capex/capitalisation is expected to pick going forward, given strong upcoming investment opportunities in power transmission supported by RE projects.

### ■ Valuation – Maintain a Buy rating with an unchanged PT of Rs. 350:

Power Grid has a robust project pipeline worth Rs. 1,43,749 crore (at the end of Q3 FY25) and the company is expected to win more Rs. 1.9 lakh crore of projects till FY32, implying a total capex of Rs. 3.3 lakh crore which offers good earnings visibility. We expect a decent 6% CAGR in PAT over FY2024-FY2027E. We maintain our Buy rating with an unchanged PT of Rs. 350. Also, the company has a healthy RoE of 18% and a dividend yield of ~3%. At CMP, it trades at 2.8x/2.6x its FY26/27 P/BV.

One-year forward P/BV (x) band



Source: Company; Mirae Asset Sharekhan Research

## About company

Power Grid operates in the power transmission business with the responsibility for planning, implementation, operation, and maintenance of inter-state transmission systems and operation of National and Regional Load Dispatch Centres. The company's segments include transmission, telecom, and consultancy. The transmission segment includes extra-high voltage/high voltage (EHV/HV) networks and grid management. The company owns and operates over 1,79,594 circuit kilometers of EHV transmission lines. Power Grid has approximately 280 sub-stations. The company's Smart Grid enables real-time monitoring and control of power systems.

## Investment theme

Power Grid is expected to maintain its strong growth momentum, given ~Rs. 1,43,749 crore worth of projects pending for capitalization, which provides a healthy earnings growth visibility over the next few years. RE projects would result in a significant pick-up in the transmission projects going forward. Power Grid has a healthy RoE of 18-19% and has a dividend yield of 3-4%.

## Key Risks

- ♦ Slower-than-expected capitalization of projects.
- ♦ Inability to win new projects under the tariff-based competitive bidding route.

## Additional Data

### Key management personnel

Name	Designation
R.K. Tyagi	Chairman and Managing Director
G. Ravisankar	Director – Finance
Naveen Srivastava	Director – Operations

Source: Company Website

### Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Nippon Life India Asset Management	2.95
2	Republic of Singapore	2.53
3	Life Insurance Corp of India	2.41
4	SBI Funds Management Ltd	2.2
5	PPFAS Asset Management	2.12
6	Vanguard Group Inc/The	2.10
7	Blackrock Inc	1.99
8	ICICI Prudential Asset Management	1.70
9	FMR LLC	1.19
10	HDFC Asset Management Co Ltd	1.10

Source: Bloomberg

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## Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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