



## 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. 2,75,437 cr
52-week high/low:	Rs. 366/248
NSE volume: (No of shares)	139.0 lakh
BSE code:	532898
NSE code:	POWERGRID
Free float: (No of shares)	453 cr

## Shareholding (%)

Promoters	51.3
FII	26.8
DII	18.3
Others	-

## Price chart



Source: NSE India, Mirae Asset Sharekhan Research

## Price performance

(%)	1m	3m	6m	12m
Absolute	-4.2	12.6	-6.0	-5.4
Relative to Sensex	-8.0	3.2	-11.2	-15.8

Source: Mirae Asset Sharekhan Research, Bloomberg

## Power Grid Corporation of India Ltd

## Soft Q4; capex outlook encouraging

Power	Sharekhan code: POWERGRID		
Reco/View: Buy	↔	CMP: Rs. 296	Price Target: Rs. 350 ↔
↑ Upgrade	↔ Maintain	↓ Downgrade	

## Summary

- Consol. PAT of Rs. 4,143 crore was flat y-o-y while the standalone PAT of Rs. 4,336 crore was up 5% y-o-y led by higher other income. Tighter CERC norms and weak capitalization affected the performance.
- Capitalization of Rs. 9,014 crore in FY25 was less than the guidance of Rs. 18,000 crore. Company expects it to spill over in FY26 and has given a guidance of Rs. 23,000-25,000 crore for the year.
- Capex of Rs. 26,000 crore in FY25 was higher than expectation. Management has given a guidance of capex of Rs. 28,000/35,000/45,000 crore in FY26/27/28 respectively.
- The strong capex expectation provides good earnings visibility for the future. Hence, we maintain a Buy with an unchanged PT of Rs. 350. At CMP, it trades at 2.7x/2.5x its FY26/27 P/BV.

**Q4FY25 standalone revenue of Rs. 10,983 crore was slightly down y-o-y due to weaker capitalization in the last year. The transmission revenue of Rs. 10,904 crore was down 1.6% y-o-y while consultancy revenue of Rs. 298 crore increased 45% y-o-y. Operating profit of Rs. 9,223 crore was up 1% y-o-y with increase in employee expenses mitigated by decrease in other expenses. Standalone PAT rose 5% y-o-y to Rs. 4,336 crore helped by higher other income. Consolidated PAT of Rs. 4,143 crore was down 0.6% y-o-y because of the slower capitalization. Consolidated capex /asset capitalization for Q4FY25 was Rs. 8,604/1,591 crore and for FY25 it was Rs. 26,255/9,014 crore. The capex for FY25 is higher than the guidance but the capitalization significantly lagged the guidance of Rs. 18,000 crore, mainly due to RoW issues. Company has won Rs. 92,000 crore worth of projects in FY25. The company has declared a final dividend of Rs. 1.25/share and the full year dividend comes out to be Rs. 9/share. It is lesser than FY24 dividend of Rs. 11.25/share. Also, dividend might reduce further as the company intends to spend on capex.**

## Key positives

- Strong capex outlook

## Key negatives

- Capitalization lagging the guidance.

## Management Commentary

- Capitalization was weak in the quarter because of RoW issues and lack of skilled manpower. It will spill over to Q1 and Q2 of FY26 and company has guided for Rs. 23,000-25,000 crore capitalization in FY26.
- The National Electricity Plan (NEP) envisages Rs. 9.2 lakh crore of capex from FY23-32 with Rs. 3 lakh crore of projects already allocated and ~Rs. 6 lakh crore of projects yet to be allocated.
- The works-in-hand is of Rs. 1,54,680 crore. The split is as follows: Ongoing RTM projects – Rs. 9,580 crore, New RTM projects – Rs. 37,221 crore, TBCB projects – Rs. 1,05,094 crore and Other projects – Rs. 2,795 crore.
- In FY25, company's market share was 57.34% in terms of NCT cost and 54.55% in terms of project wins. The transmission lines had an availability of 99.82% and tripping per line was 0.27.

## Our Call

**Valuation – Maintain a Buy rating with an unchanged PT of Rs. 350:** Power Grid has a robust project pipeline worth Rs. 1,54,680 crore and the company is expected to win more Rs. 1.5 lakh crore of projects till FY32, implying a total capex of Rs. 3.1 lakh crore which offers good earnings visibility. We expect a decent 8% CAGR in PAT over FY2025-FY2027E. We maintain our Buy rating with an unchanged PT of Rs. 350. At CMP, it trades at 2.7x/2.5x its FY26/27 P/BV.

## Key Risks

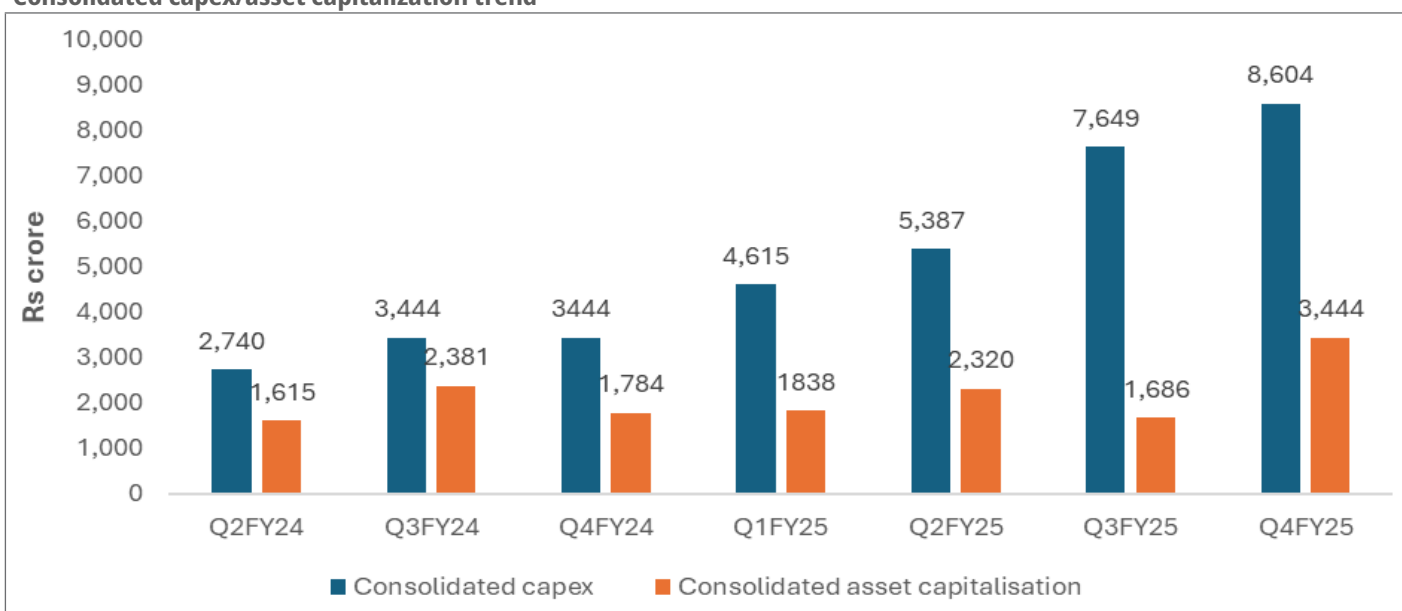
- Slower-than-expected capitalization of projects and
- Inability to win new projects under the tariff-based competitive bidding route.

## Valuation (Consolidated)

Particulars	FY23	FY24	FY25	FY26E	FY27E
Revenue	45,581	45,843	45,792	49,456	53,752
OPM (%)	86.6	87.0	85.3	86.0	86.3
Adjusted PAT	15,417	15,573	15,521	16,701	18,339
y-o-y growth (%)	14.2	1.0	(0.3)	7.6	9.1
Adjusted EPS (Rs.)	16.6	16.7	16.7	18.0	19.7
P/E (x)	17.9	17.7	17.7	16.5	14.1
Price/ Book (x)	3.3	3.2	3.0	2.7	2.5
EV/EBITDA (x)	10.0	9.8	10.1	9.5	8.4
RoCE (%)	12.0	12.4	11.8	11.9	13.2
RoE (%)	19.4	18.3	17.3	17.2	18.3

Source: Company; Mirae Asset Sharekhan estimates

### Consolidated capex/asset capitalization trend



Source: Company; Mirae Asset Sharekhan Research

### Results (Standalone)

Particulars	Q4FY25	Q4FY24	YoY(%)	Q3FY25	Rs cr QoQ(%)
<b>Revenues</b>	<b>10,983</b>	<b>11,051</b>	<b>(0.6)</b>	<b>10,121</b>	<b>8.5</b>
Total Expenditure	1,760	1,908	(7.8)	1,598	10.1
<b>Operating profit</b>	<b>9,223</b>	<b>9,142</b>	<b>0.9</b>	<b>8,523</b>	<b>8.2</b>
Other income	1,500	1,203	24.7	1,489	0.8
Depreciation	3,043	3,116	(2.4)	3,074	(1.0)
Interest	2,588	2,021	28.0	2,127	21.6
<b>PBT</b>	<b>5,092</b>	<b>5,208</b>	<b>(2.2)</b>	<b>4,810</b>	<b>5.9</b>
Tax	806	906	(11.0)	960	(16.0)
Regulatory Deferral A/c	51	-174	(129.0)	44	14.7
<b>Reported PAT</b>	<b>4,336</b>	<b>4,128</b>	<b>5.0</b>	<b>3,894</b>	<b>11.4</b>
Reported EPS	4.7	4.4	5.0	4.2	11.4
<b>Margin (%)</b>			<b>YoY (bps)</b>		<b>QoQ (bps)</b>
OPM	84.0	82.7	125	84.2	-23
NPM	39.5	37.4	213	38.5	101
Tax rate	15.8	17.4	(156)	20.0	-412

Source: Company; Mirae Asset Sharekhan Research

### Segmental break-up (Standalone)

Particulars	Q4FY25	Q4FY24	YoY(%)	Q3FY25	Rs cr QoQ(%)
<b>Revenue</b>					
Transmission	10,904	11,082	(1.6)	10,136	7.6
Consultancy	298	205	45.1	188	58.5
<b>EBIT</b>					
Transmission	6,414	6,006	6.8	5,587	14.8
Consultancy	45	46	(0.7)	28	59.9
<b>EBIT margin</b>					
Transmission	58.8	54.2	463	55.1	371
Consultancy	15.2	22.2	-700	15.1	13

Source: Company; Mirae Asset Sharekhan Research

## Outlook and Valuation

### ■ Sector Outlook – 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 200GW 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 transmission capex of Rs. 9.16 lakh crore till FY32.

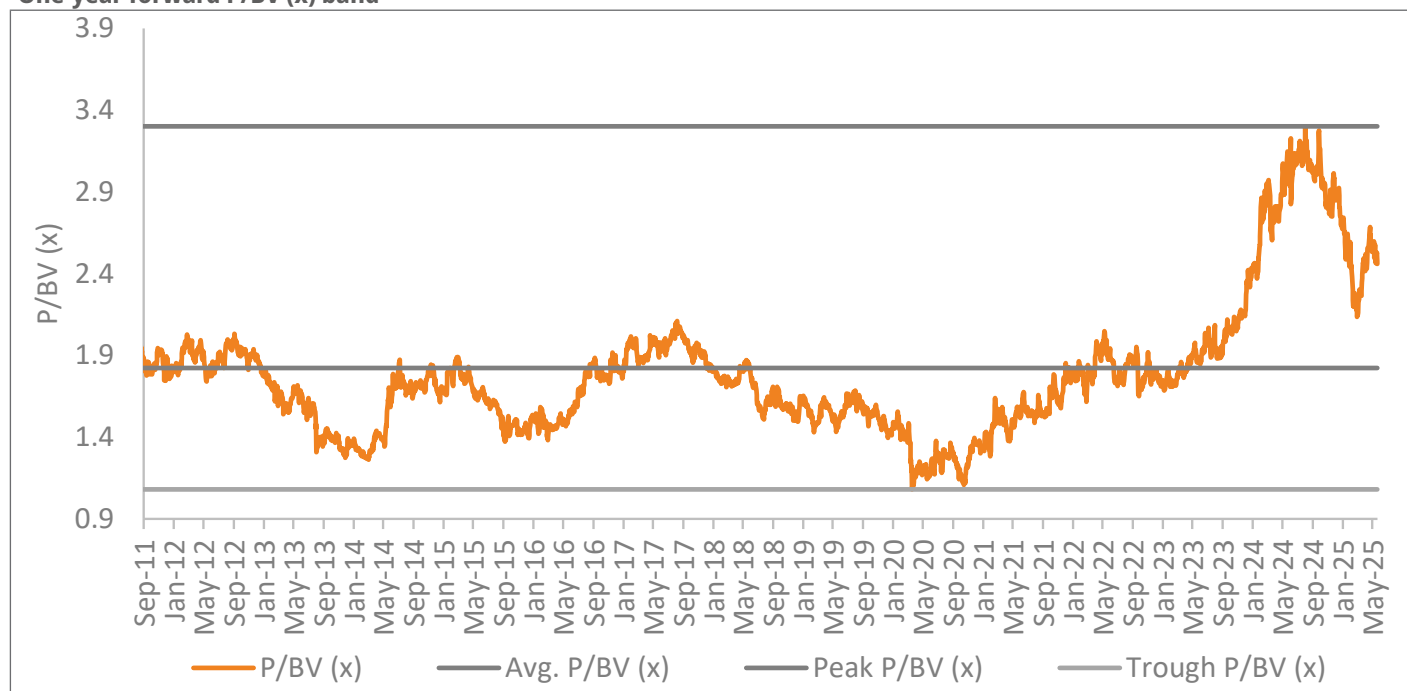
### ■ Company Outlook – Decent earnings growth prospects

Good capitalization in the next few years and a robust work-in-hand pipeline of ~Rs. 1,54,680 crore provides decent earnings growth visibility (we expect 8% 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. 1,54,680 crore and the company is expected to win more Rs. 1.5 lakh crore of projects till FY32, implying a total capex of Rs. 3.1 lakh crore which offers good earnings visibility. We expect a decent 8% CAGR in PAT over FY2025-FY2027E. We maintain our Buy rating with an unchanged PT of Rs. 350. At CMP, it trades at 2.7x/2.5x 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 1,80,239 circuit kilometers of EHV transmission lines. Power Grid has approximately 283 sub-stations. The company's Smart Grid enables real-time monitoring and control of power systems.

## Investment theme

Good capitalization in the next few years and a robust work-in-hand pipeline of ~Rs. 1,54,680 crore provides decent earnings growth visibility (we expect 8% 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.

## 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	3.08
2	Life Insurance Corp of India	2.63
3	Republic of Singapore	2.57
4	SBI Funds Management Ltd	2.2
5	Vanguard Group Inc/The	2.13
6	PPFAS Asset Management	2.12
7	Blackrock Inc	1.98
8	ICICI Prudential Asset Management	1.41
9	HDFC Asset Management Co Ltd	1.20
10	FMR LLC	1.17

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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