



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	✗	↔	✓

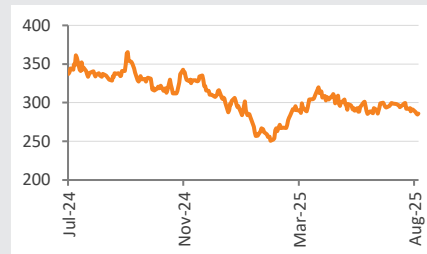
Company details

Market cap:	Rs. 2,65,997 cr
52-week high/low:	Rs. 366 / 248
NSE volume: (No of shares)	130.1 lakh
BSE code:	532898
NSE code:	POWERGRID
Free float: (No of shares)	453.0 cr

Shareholding (%)

Promoters	51.3
FII	26.5
DII	18.5
Others	3.7

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-3.3	-7.2	0.3	-16.1
Relative to Sensex	0.0	-7.6	-2.7	-18.7

Source: Mirae Asset Sharekhan Research, Bloomberg

Power Grid Corporation of India Ltd

Soft Q1; capex outlook encouraging

Power	Sharekhan code: POWERGRID		
Reco/View: Buy	↔	CMP: Rs. 286	Price Target: Rs. 350 ↔

Summary

- Standalone revenue of Rs. 9,928 crore was down 1.4% y-o-y and lesser than estimates. Standalone PAT of Rs. 3,653 crore was up 7.1% y-o-y.
- Capitalization of Rs. 1,800 crore in Q1FY26 is quite less considering the full year guidance of Rs. 22,000 crore.
- Management has maintained its capex guidance 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 2.6x/2.4x its FY26/27 P/BV.

Q1FY26 standalone revenue of Rs. 9,928 crore was down 1.4 y-o-y due to 90% mix of RTM projects in transmission revenue. As they age, the revenue decreases from the projects. Overall transmission revenue of Rs. 9,884 crore was down 1.7% y-o-y while consultancy revenue of Rs. 198 crore increased 29% y-o-y. Operating profit of Rs. 8,118 crore decreased 7.2% y-o-y because of rise in other expenses. Standalone PAT rose 7.1% y-o-y to Rs. 3,653 crore helped by regulatory deferral account balances. Consolidated PAT of Rs. 3,631 crore was down 2.5% y-o-y because of the slower capitalization. Consolidated capex / asset capitalization for Q1FY26 was Rs. 6,981/1,800 crore respectively. The capex is on track but the capitalization is lagging mainly due to RoW issues.

Key positives

- Strong capex outlook

Key negatives

- Capitalization lagging the guidance.

Result highlights

- Capitalization has been weak because of RoW issues. Company has reduced the FY26 capitalization guidance to Rs. 22,000 crore (from previously Rs. 23,000-25,000 crore). Commissioning guidance for Q2 is Rs. 3,000 crore, Q3 is Rs. 7,000 crore and Q4 is Rs. 8,000 crore. Capitalization guidance for FY27 is Rs. 22,000-25,000 crore.
- 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. 1,48,644 crore. The split is as follows: Ongoing RTM projects – Rs. 9,062 crore, New RTM projects – Rs. 37,049 crore, TBCB projects – Rs. 99,906 crore and Other projects – Rs. 2,627 crore.
- In TBCB and RTM project cost, 50% is for equipment supply, 35% is civil and erection cost and 15-20% is for RoW.

Our Call

Valuation – Maintain a Buy rating with an unchanged PT of Rs. 350: Power Grid has a robust project pipeline worth Rs. 1,48,644 crore and Rs. ~1.4 lakh crore of projects are currently there for taking. 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 2.6x/2.4x its FY26/27 P/BV.

Key Risks

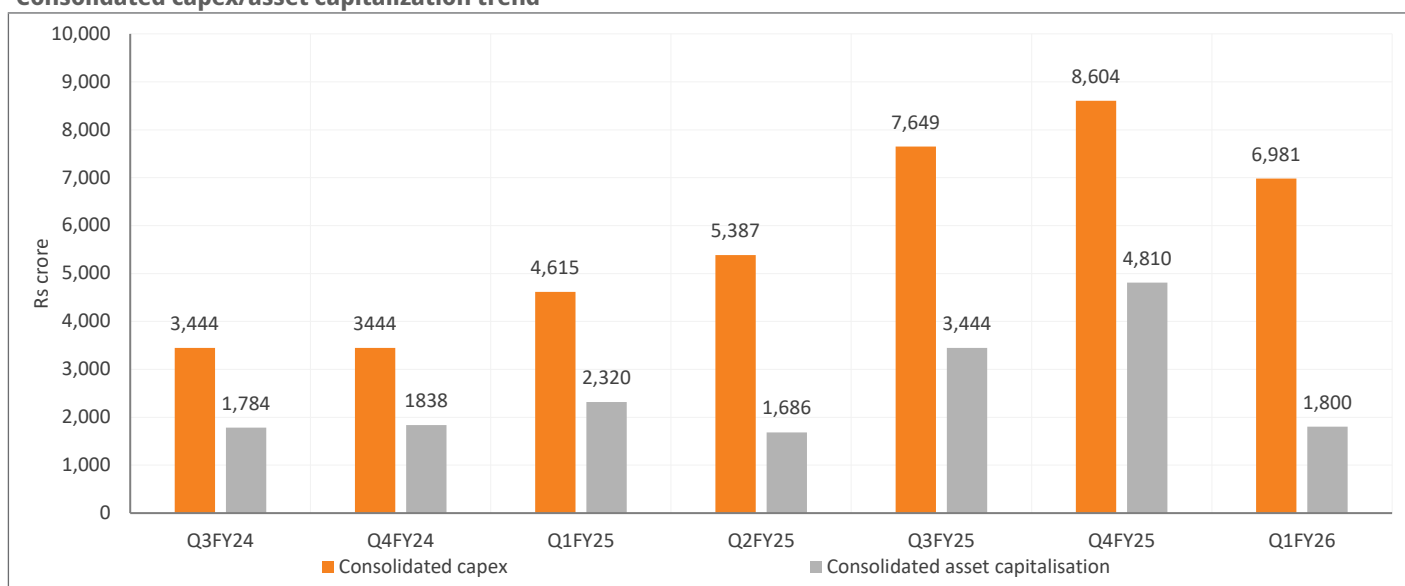
- Slower-than-expected capitalization of projects and
- Inability to win new projects under the tariff-based competitive bidding route.

Valuation (Consolidated)

Particulars	FY23	FY24	FY25	FY26E	FY27E
Revenue	45,581	45,843	45,792	49,456	53,412
OPM (%)	86.6	87.0	85.3	86.0	86.4
Adjusted PAT	15,417	15,573	15,521	16,701	18,180
y-o-y growth (%)	14.2	1.0	(0.3)	7.6	8.9
Adjusted EPS (Rs.)	16.6	16.7	16.7	18.0	19.5
P/E (x)	17.2	17.0	17.1	15.9	14.6
Price/ Book (x)	3.2	3.0	2.9	2.6	2.4
EV/EBITDA (x)	9.7	9.5	9.9	9.2	8.7
RoCE (%)	12.0	12.4	11.8	11.9	12.0
RoE (%)	19.4	18.3	17.3	17.2	17.0

Source: Company; Mirae Asset Sharekhan estimates

Consolidated capex/asset capitalization trend



Source: Company; Mirae Asset Sharekhan Research

Results (Standalone)

Particulars	Q1FY26	Q1FY25	Y-o-Y (%)	Q4FY25	Q-o-Q (%)
Revenues	9,928	10,068	(1.4)	10,983	(9.6)
Total Expenditure	1,810	1,324	36.7	1,760	2.9
Operating profit	8,118	8,744	(7.2)	9,223	(12.0)
Other income	1,329	782	69.9	1,500	(11.4)
Depreciation	2,970	3,073	(3.4)	3,043	(2.4)
Interest	2,304	2,160	6.7	2,588	(10.9)
PBT	4,172	4,293	(2.8)	5,092	(18.1)
Tax	733	820	(10.5)	806	(9.1)
Regulatory Deferral A/c	214	-61	(451.2)	51	323.1
Reported PAT	3,653	3,412	7.1	4,336	(15.7)
Reported EPS	3.9	3.7	7.1	4.7	(15.7)
Margin (%)			YoY (bps)		QoQ (bps)
OPM	81.8	86.8	-508	84.0	-221
NPM	36.8	33.9	291	39.5	-269
Tax rate	17.6	19.1	(152)	15.8	174

Source: Company; Mirae Asset Sharekhan Research

Segmental break-up (Standalone)

Particulars	Q1FY26	Q1FY25	Y-o-Y (%)	Q4FY25	Q-o-Q (%)
Revenue					
Transmission	9,884	10,053	(1.7)	10,904	(9.4)
Consultancy	198	153	29.2	298	(33.5)
EBIT					
Transmission	5,559	5,733	(3.0)	6,414	(13.3)
Consultancy	2	3	(12.6)	45	(95.0)
EBIT margin					
Transmission	56.2	57.0	-78	58.8	-259
Consultancy	1.2	1.7	-55	15.2	-1,403

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 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.

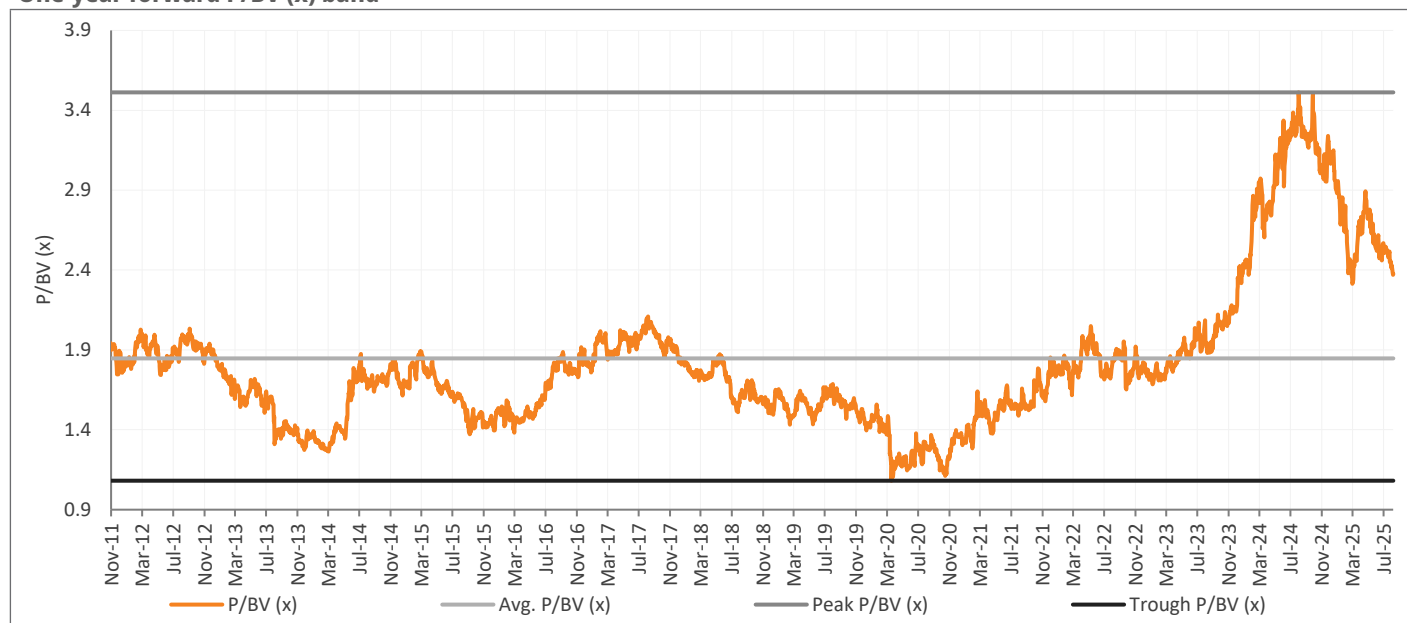
■ Company Outlook – Decent earnings growth prospects

Good capitalization in the next few years and a robust work-in-hand pipeline of ~Rs. 1,48,644 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. 1,48,644 crore and Rs. ~1.4 lakh crore of projects are currently there for taking. 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 2.6x/2.4x 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 1,80,849 circuit kilometers of EHV transmission lines. Power Grid has approximately 286 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. 1,48,644 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	2.88
2	Life Insurance Corp of India	2.76
3	PPFAS Asset Management	2.46
4	Republic of Singapore	2.39
5	Vanguard Group Inc/The	2.30
6	SBI Funds Management Ltd	2.17
7	Blackrock Inc	2.02
8	NPS TRUST - A/C TATA PENSION FUN	1.44
9	ICICI Prudential Asset Management	1.43
10	Schroders PLC	1.15

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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