

# Power Grid Corporation of India

Estimate change	↔
TP change	↔
Rating change	↔

**CMP: INR296      TP: INR386 (+30%)      Buy**

## Strong capex outlook and expanding pipeline, but dividend pressure likely

Bloomberg	PWGR IN
Equity Shares (m)	9301
M.Cap.(INRb)/(USDb)	2754.4 / 32.2
52-Week Range (INR)	366 / 247
1, 6, 12 Rel. Per (%)	-10/-14/-16
12M Avg Val (INR M)	4878

### Financials & Valuations (INRb)

Y/E March	FY25	FY26E	FY27E
Sales	460.7	461.7	489.8
EBITDA	393.4	416.0	434.4
Adj. PAT	155.2	177.0	185.6
Adj. EPS (INR)	16.7	19.0	20.0
EPS Gr. (%)	-0.3	14.1	4.8
BV/Sh.(INR)	99.6	107.1	115.3

### Ratios

Net D:E	1.4	1.3	1.1
RoE (%)	17.3	18.4	17.9
RoCE (%)	9.7	10.4	10.7
Payout (%)	53.9	50.4	50.1

### Valuations

P/E (x)	17.7	15.5	14.8
P/BV (x)	3.0	2.8	2.6
EV/EBITDA (x)	10.1	9.3	8.9
Div. Yield (%)	3.0	3.2	3.4
FCF Yield (%)	4.4	12.1	6.0

### Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	51.3	51.3	51.3
DII	18.4	17.0	15.3
FII	26.8	28.1	29.8
Others	3.5	3.5	3.6

FII Includes depository receipts

- Power Grid (PWGR)'s 4QFY25 reported standalone (SA) EBITDA and Adj. PAT were in line with our estimates at INR92.2b/42.9b (flat YoY). On a consolidated basis, the reported PAT was flat YoY at INR41.4b.
- In the earnings call, management highlighted a strong capex trajectory, rising capitalization, and an impressive HVDC/TBCB pipeline. As per PWGR, the capitalization trajectory remains aggressive despite the company missing FY25 guidance by ~50%. It also plans to capitalize INR230-250b in FY26. Its capex targets were maintained at INR280b/INR350b for FY26-27, and an FY28 capex target was introduced, with capex rising to INR450b by FY28 from INR262b in FY25. The right-of-way/land acquisition issues have been the key obstacles to completing projects, and it believes some of these challenges should recede as states adopt revised right-of-way compensation guidelines issued by the Center.
- The medium-to-long-term HVDC pipeline remains impressive with at least five domestic HVDC projects (Khavda-Nagpur, Fatehpur-Badla, Leh-Pang, Khavda-South Olpad, Rajasthan to Maharashtra, Kurnool to Vizag, et al.) and several international ones (India to SG via Andaman, India-Sri Lanka, India-Myanmar, India-Oman, etc.). Further, the inter- and intra-state TBCB pipelines should see additional bids worth INR6t and INR3t, respectively, by 2032. Of the current order book of INR1.54t, 30% is attributable to RTM projects, where the company earns a healthy 15% RoE.
- However, given the rising capex needs, management highlighted that there could be a further downside to DPS; the company paid INR9/share as dividend in FY25 (FY25: 54% payout, FY24: 67%).
- We **reiterate our BUY rating** on the stock with a TP of INR386 based on 3.4x FY27E BVPS.

### In-line 4QFY25

#### ■ Standalone (SA) performance:

- In 4QFY25, PWGR reported SA revenue of INR110b (-1% YoY) and EBITDA of INR92.2b (+1% YoY), in line with our estimates.
- Adj. SA PAT was in line with our est. at INR42.9b. Higher-than-expected interest expenses were offset by lower depreciation and tax expenses and higher-than-expected other income (including a profit of INR2.4b from the 26% stake sale in SPVs transferred to PGInvIT, which was classified as 'assets held for sale' as of end-3QFY25).
- The net movement in regulatory deferral account balances was positive at INR0.5b during the quarter.
- SA revenue/EBITDA/APAT stood flat YoY at INR414b/INR352b/INR151b in FY25.

#### ■ Consolidated performance:

- Reported PAT came in at INR41.4b (flat YoY), while EBITDA rose ~4% YoY to INR102.7b.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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- The transmission segment remained the primary revenue driver, contributing 96.95% of consolidated EBIT (INR70.2b). The telecom segment contributed 1.96%, with EBIT of INR1.4b.
- In 4QFY25, its JVs reported a loss of INR0.29b, taking the total loss to INR1.1b for FY25 (vs. a loss of INR0.19b in FY24).

#### ■ Key Announcements:

- The Board recommended a final dividend of INR1.25/share.

### Highlights of the 4QFY25 performance:

#### ■ Operational performance and financials

- The company added 645ckm of transmission lines and 12,000MVA of transformation capacity in 4QFY25.
- The transmission system had an availability rate of 99.8% in FY25, reflecting high operational efficiency.
- For FY25, the reliability rate was 0.27 trippings per line.
- On a standalone basis, the average borrowing cost was 7.41% in 4QFY25.
- The telecom division successfully added 75 new customers during the year and reported an income of ~INR11b for the year.

#### ■ Project wins and capex outlook

- PWGR secured a record 24 TBCB projects in FY25 with a total cost of projects won amounting to ~INR920b.
- In 4QFY25, on a consol. basis, capex was INR86b and capitalization was INR16b.
- In FY25, a capex of INR263b was incurred; its capitalization stood at INR90b in FY25 (vs. a guidance of INR180b).
- Capex targets for FY26/FY27/FY28: INR280b/INR350b/INR450b, and work in hand is INR1.55t.

#### ■ Future growth and dividend

- The dividend for FY25 was INR9/share (dividend payout: ~54%), and management highlighted that there could be further downside going forward, given its aggressive capex plans.

### Valuation and view

We derive our TP of INR386 for PWGR based on FY27E BVPS and a P/B multiple of 3.4x, which we believe is reasonable given that capex and capitalization are on a multi-year uptrend with the order book at an elevated level.

#### Standalone Quarterly Performance

Y/E March	FY24								(INR b)					
	FY24				FY25E				FY24	FY25	FY25E	Var.	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	%	%	%
<b>Sales</b>	<b>102.4</b>	<b>97.4</b>	<b>106.8</b>	<b>110.5</b>	<b>100.7</b>	<b>102.6</b>	<b>101.2</b>	<b>109.8</b>	<b>418.3</b>	<b>414.3</b>	108	1%	-1%	9%
YoY Change (%)	-2.7	-6.6	-0.6	-2.2	-1.7	5.3	-5.2	-0.6	-2.5	-0.9	-1.8			
<b>EBITDA</b>	<b>90.0</b>	<b>85.3</b>	<b>94.0</b>	<b>91.4</b>	<b>87.4</b>	<b>87.9</b>	<b>85.2</b>	<b>92.2</b>	<b>361.9</b>	<b>352.8</b>	91	1%	1%	8%
YoY Change (%)	1.4	-3.5	0.2	-9.0	-2.9	3.0	-9.3	0.9	-2.8	-2.5	-0.4			
As of % Sales	87.9	87.6	88.0	82.7	86.8	85.6	84.2	84.0	86.5	85.1	83.9			
Depreciation	31.4	31.4	31.6	31.2	30.7	31.6	30.7	30.4	125.6	123.5	32	-6%	-2%	-1%
Interest	21.2	23.9	25.2	20.2	21.6	26.0	21.3	25.9	90.5	94.8	20	32%	28%	22%
Other Income	6.4	7.9	7.9	12.0	7.8	11.2	14.9	15.0	34.2	48.9	13	12%	25%	1%
Extraordinary Inc / (Exp)	-2.9	5.6	1.1	-1.7	-0.6	2.5	0.4	0.5	2.1	2.8	0			
<b>PBT</b>	<b>41.0</b>	<b>43.4</b>	<b>46.3</b>	<b>50.3</b>	<b>42.3</b>	<b>43.9</b>	<b>48.5</b>	<b>51.4</b>	<b>182.2</b>	<b>186.2</b>	52	-2%	2%	6%
Tax	5.6	5.1	6.6	9.1	8.2	6.8	9.6	8.1	26.3	32.7	9	-12%	-11%	-16%
Effective Tax Rate (%)	13.6	11.7	14.2	18.0	19.4	15.5	19.8	15.7	14.4	17.5	17.5			
<b>Reported PAT</b>	<b>35.4</b>	<b>38.3</b>	<b>39.7</b>	<b>41.3</b>	<b>34.1</b>	<b>37.1</b>	<b>38.9</b>	<b>43.4</b>	<b>154.7</b>	<b>153.5</b>	43	0%	5%	11%
YoY Change (%)	-5.9	6.5	14.5	-0.9	-3.7	-3.2	-1.9	5.0	2.3	-0.8	4.8			
<b>Adjusted PAT</b>	<b>37.9</b>	<b>33.4</b>	<b>38.7</b>	<b>42.7</b>	<b>34.6</b>	<b>35.0</b>	<b>38.6</b>	<b>42.9</b>	<b>152.8</b>	<b>151.2</b>	43	-1%	1%	11%
YoY Change (%)	0.6	-7.1	11.7	2.5	-8.7	4.8	-0.4	0.5	1.0	-1.1	1.3			

### Our valuation for PWGR

BVPS- FY27	INR	115
P/B multiple	(x)	3.4
<b>Target Price</b>	<b>INR</b>	<b>386</b>
CMP	INR	296
<b>Upside / (Downside)</b>	<b>%</b>	<b>31%</b>

### Highlights from the management commentary

#### ■ Record project wins:

- PWGR secured a record 24 TBCB projects in FY25 with the total cost of projects won amounting to ~INR920b.
- The company enjoys a market share of ~57%/55% in terms of NCT cost/project wins.

#### ■ Project execution and financial performance:

- In 4QFY25, on a consol. basis, capex was INR86b and capitalization was INR16b.
- On a consol. basis, in FY25, a capex of INR263b was incurred (FY24: INR125b), and capitalization was INR90b in FY25 vs guidance of INR180b. These delayed projects are expected to be commissioned in 1QFY26 and 2QFY26.
- In 4QFY25, about 645ckm of transmission lines and 12,000MVA transformation capacity were added.
- In FY25, Transmission system availability was 99.8%, and trippings per line per year stood at 0.27.
- Average Borrowing Cost: 7.41% on a standalone basis in 4QFY25.
- Debt stood at INR1,309b, and net worth stood at INR922b.

#### ■ Telecom division highlights:

- Customer Growth: Added 75 new customers in FY25.
- FY25 income rose by 24% to INR11b from INR9b in FY24.

#### ■ Consultancy Segment highlights:

- PWGR received 8/55 new international/domestic orders in FY25.
- Revenue grew 45% YoY to 8b in FY25 from INR5.5b in FY24.

#### ■ Capex guidance and work in hand:

- The company estimates an outlay of INR3.06t by FY32 with INR2.99t towards transmission business.
- Capex target for FY26/FY27/FY28 : INR280b/INR350b/INR450b.
- Capitalization target for FY26: INR230-250b.
- Work in hand: INR1.55t, including INR1.05t for TBCB projects, INR95.8b for ongoing RTM projects, INR372.2b for new RTM projects, and INR27.9b for other projects.

#### ■ HVDC Project Updates

- Leh–Ladakh HVDC: Land acquisition and infrastructure work in progress. Awarding of the line from Pang to Leh is expected in 2QFY26.
- Preliminary studies for the Paradip–Andaman HVDC link have been completed, and the same is expected to extend further to Singapore. However, there is currently no definitive visibility on the project. Clarity from the Government of India is anticipated by 2QFY26.

#### ■ Growth outlook:

- Growth in the transmission network is driven by the government's target of 600 GW non-fossil capacity and the Green Hydrogen mission, which alone requires around 71 GW of renewable energy, necessitating increased connectivity by 2032.
- As per the National Electricity Plan (NEP), over INR9t of transmission projects to be completed by FY32, and of these, INR3t projects are already allocated, so

remaining are to be allocated by FY29, implying heavy bidding activity over the next four years.

- Intra-state transmission entails a capex opportunity of over INR3t. Execution could be challenging unless routed through TBCB. States like Maharashtra, Gujarat, and UP have adopted the TBCB framework. The company intends to participate in these projects, as intra- and inter-state execution requirements are similar in approach.

#### ■ Other Highlights

- The company has commissioned the **world's largest digital substation**, the 765kV/400kV/220kV Navsari (Gujarat) Substation, which is based on IEC 61850.
- It commissioned an 85MW Solar PV Power Project at Nagda in Apr'25.
- The company's estimates are largely aligned with the NCT cost, with a deviation of only up to 5% in most cases. However, the Khavda–Nagpur HVDC project is an exception, where the NCT cost stands at ~INR240b, while the company's estimates range between INR330-340b.
- One Sun, One World, One Grid Initiative: The possibility of international interconnections is a growth driver for PWGR.

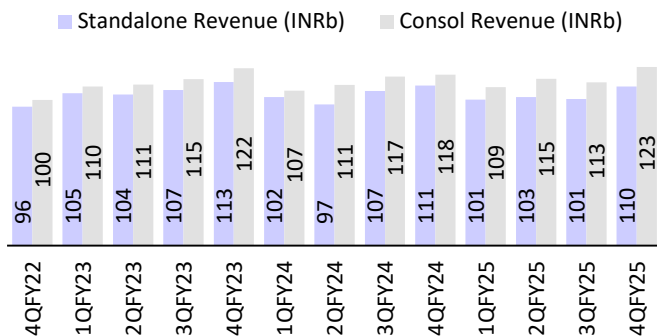
#### Exhibit 1: Major TBCB projects won during FY25

Sr. No.	Projects
1	❖ Transmission system (TS) for evacuation of power from Rajasthan REZ Ph-IV (Part-4: 3.5GW): Part A
2	❖ TS for evacuation of power from potential RE zone in Khavda area of Gujarat under Phase-V (8 GW): Part A : KPS2-Nagpur HVDC [1st TBCB HVDC project win]
3	❖ TS for Integration of Kurnool-IV REZ - Phase-I (for 4.5 GW)
4	❖ RE evacuation in Khavda area of Gujarat under Phase-IV (7 GW): Part B

Source: Company, MOFSL

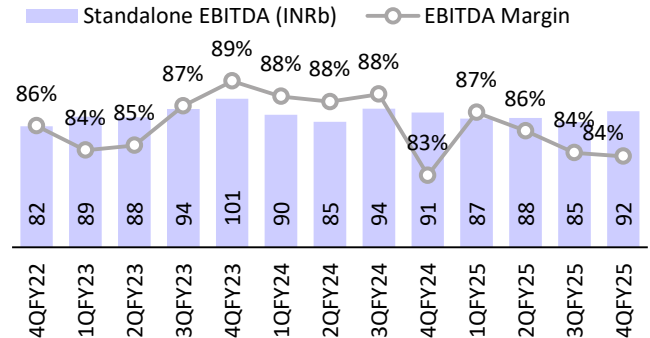
## Story in charts – 4QFY25

**Exhibit 2: Standalone and consol. revenue**



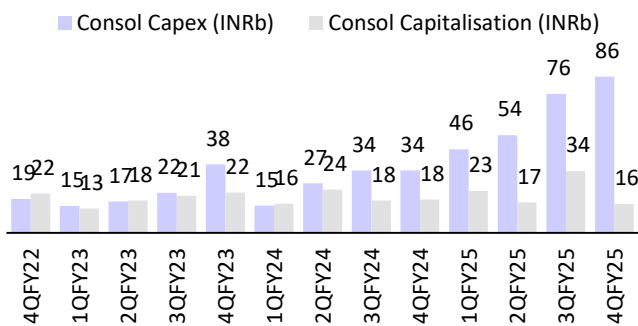
Source: Company, MOFSL

**Exhibit 3: Standalone EBITDA (INR b) and EBITDA margin**



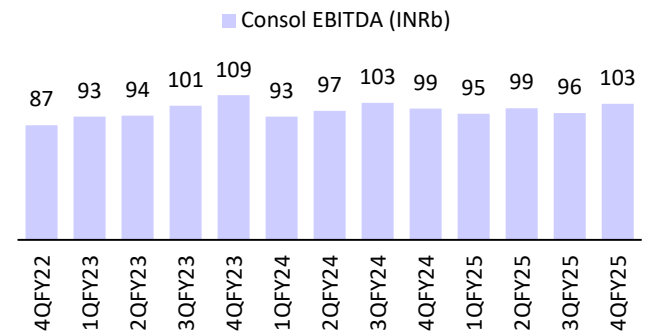
Source: Company, MOFSL

**Exhibit 4: Consol. capex and capitalization**



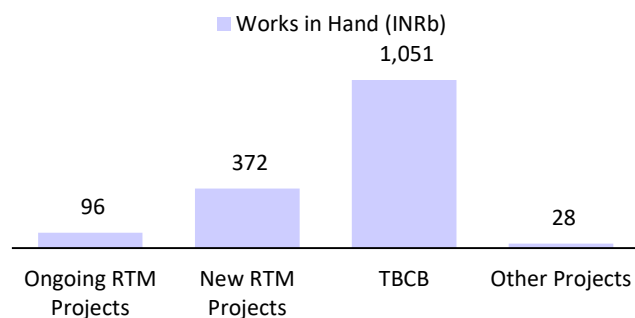
Source: Company, MOFSL

**Exhibit 5: Consol. EBITDA**



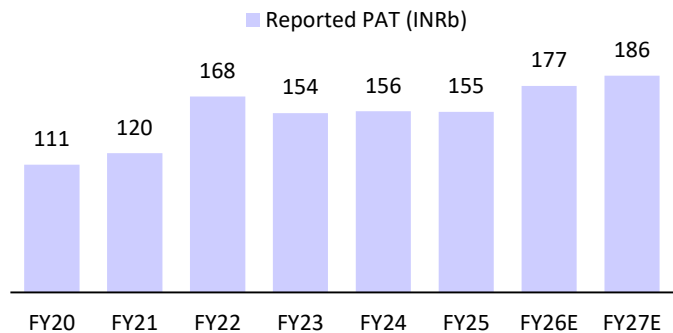
Source: Company, MOFSL

**Exhibit 6: Works in hand (as of 15<sup>th</sup> May'25)**



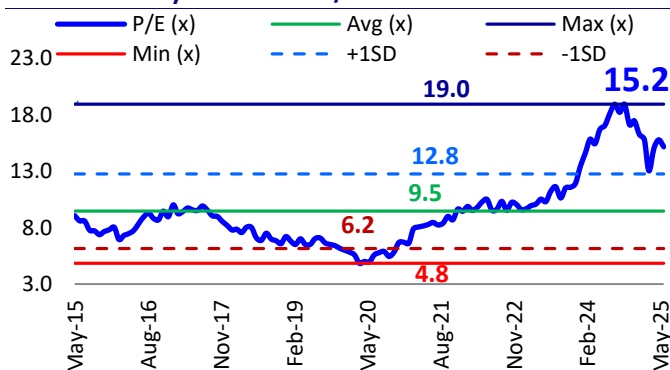
Source: Company, MOFSL

**Exhibit 7: Consol. PAT growth over FY20-27E**



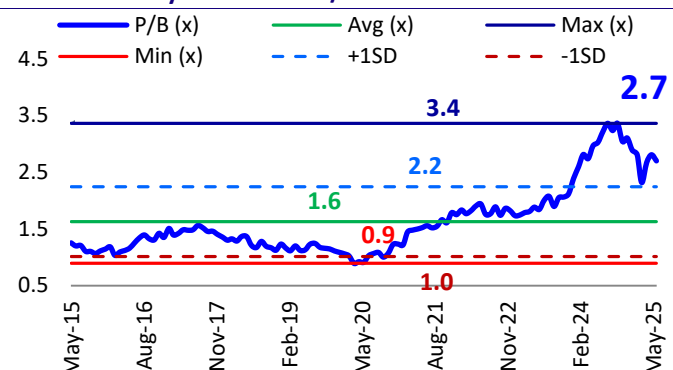
Source: Company, MOFSL

**Exhibit 8: One-year forward P/E**



Source: Company, MOFSL

**Exhibit 9: One-year forward P/B**



Source: Company, MOFSL

## Financials and valuations

Consolidated Income Statement				(INR m)	
Y/E March	FY23	FY24	FY25	FY26E	FY27E
<b>Net Sales</b>	<b>4,58,517</b>	<b>4,52,717</b>	<b>4,60,686</b>	<b>4,61,747</b>	<b>4,89,759</b>
Change (%)	11.6	-1.3	1.8	0.2	6.1
Expenditure	61,032	59,402	67,270	45,773	55,351
<b>Gross Profit</b>	<b>4,58,517</b>	<b>4,52,717</b>	<b>4,60,686</b>	<b>4,61,747</b>	<b>4,89,759</b>
<b>EBITDA</b>	<b>3,97,485</b>	<b>3,93,315</b>	<b>3,93,417</b>	<b>4,15,974</b>	<b>4,34,408</b>
% of Net Sales	86.7	86.9	85.4	90.1	88.7
Depreciation	1,33,334	1,30,953	1,29,042	1,37,683	1,45,808
Interest	96,339	87,728	87,001	83,605	85,211
Other Income	10,025	10,700	16,671	27,199	29,093
<b>PBT before EO</b>	<b>1,77,837</b>	<b>1,85,335</b>	<b>1,94,045</b>	<b>2,21,886</b>	<b>2,32,481</b>
EO income (expense)	0	0	0	0	0
<b>PBT after EO</b>	<b>1,77,837</b>	<b>1,85,335</b>	<b>1,94,045</b>	<b>2,21,886</b>	<b>2,32,481</b>
Tax	22,819	29,408	37,728	43,736	45,817
Rate (%)	12.8	15.9	19.4	19.7	19.7
Share of JVs and asso.	-821	-196	-1,103	-1,103	-1,103
<b>Reported PAT</b>	<b>1,54,197</b>	<b>1,55,732</b>	<b>1,55,214</b>	<b>1,77,048</b>	<b>1,85,561</b>
<b>Adjusted PAT</b>	<b>1,54,197</b>	<b>1,55,732</b>	<b>1,55,214</b>	<b>1,77,048</b>	<b>1,85,561</b>
Change (%)	10.3	1.0	-0.3	14.1	4.8

Balance Sheet				(INR m)	
Y/E March	FY23	FY24	FY25	FY26E	FY27E
Share Capital	69,755	93,006	93,006	93,006	93,006
Reserves	7,60,391	7,78,445	8,33,622	9,03,146	9,79,462
<b>Net Worth</b>	<b>8,30,145</b>	<b>8,71,451</b>	<b>9,26,628</b>	<b>9,96,152</b>	<b>10,72,468</b>
Loans	12,65,949	12,34,486	13,09,650	12,67,838	12,31,662
Deferred Rev. & tax	2,08,424	1,97,604	1,07,054	1,00,864	1,00,864
<b>Capital Employed</b>	<b>23,04,518</b>	<b>23,03,542</b>	<b>23,43,332</b>	<b>23,64,854</b>	<b>24,04,994</b>
Gross Fixed Assets	27,01,123	27,55,311	28,29,949	30,64,233	33,73,233
Less: Depreciation	8,46,753	9,77,706	11,06,747	12,25,368	13,60,585
<b>Net Fixed Assets</b>	<b>18,54,370</b>	<b>17,77,606</b>	<b>17,23,202</b>	<b>18,38,865</b>	<b>20,12,648</b>
Capital WIP	1,37,723	1,81,975	3,35,851	3,59,551	3,77,721
Investments	34,891	41,632	31,167	73,883	73,883
<b>Other Assets</b>	<b>4,75,971</b>	<b>5,07,693</b>	<b>5,70,853</b>	<b>7,71,777</b>	<b>7,32,361</b>
Inventory	13,400	14,063	18,025	13,510	13,146
Debtors	1,36,945	1,18,341	79,648	78,907	75,796
Cash & Bank Balance	73,846	74,951	1,00,772	1,57,949	1,08,901
Other Current Assets	1,33,195	1,75,900	1,96,939	3,72,248	3,85,354
Loans & Advances	1,18,585	1,24,438	1,75,469	1,49,164	1,49,164
<b>Other Liabilities</b>	<b>1,98,438</b>	<b>2,05,364</b>	<b>3,17,740</b>	<b>6,79,222</b>	<b>7,91,619</b>
<b>Net Current Assets</b>	<b>2,77,534</b>	<b>3,02,330</b>	<b>2,53,113</b>	<b>92,555</b>	<b>-59,258</b>
<b>Application of Funds</b>	<b>23,04,518</b>	<b>23,03,542</b>	<b>23,43,332</b>	<b>23,64,854</b>	<b>24,04,994</b>

## Financials and valuations

### Ratios

Y/E March	FY23	FY24	FY25	FY26E	FY27E
<b>Basic (INR)</b>					
EPS	16.6	16.7	16.7	19.0	20.0
Cash EPS	30.9	30.8	30.6	33.8	35.6
Book Value	89.3	93.7	99.6	107.1	115.3
DPS	11.1	11.3	9.0	9.6	10.0
Div. Payout (incl. Tax.)	66.7	67.2	53.9	50.4	50.1
<b>Valuation (x)</b>					
P/E	17.9	17.7	17.7	15.5	14.8
Cash P/E	9.6	9.6	9.7	8.7	8.3
EV/EBITDA	9.9	9.9	10.1	9.3	8.9
Price/Book Value	3.3	3.2	3.0	2.8	2.6
Dividend Yield (%)	3.7	3.8	3.0	3.2	3.4
<b>Profitability Ratios (%)</b>					
RoE	19.4	18.3	17.3	18.4	17.9
RoCE	10.3	10.0	9.7	10.4	10.7
RoIC	11.1	10.9	11.0	12.2	12.8
<b>Turnover Ratios</b>					
Debtors (Days)	109	95	63	62	56
Inventory (Days)	9	9	9	7	6
Current Liabilities (Days)	134	132	165	344	354
Asset Turnover (x)	0.2	0.3	0.3	0.3	0.2
<b>Leverage Ratio</b>					
Net Debt/EBITDA	3.0	2.9	3.1	2.7	2.6
Debt/Equity (x)	1.5	1.4	1.4	1.3	1.1

### Cash Flow Statement

(INR m)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
<b>PBT before EO Items</b>	<b>1,74,531</b>	<b>1,90,853</b>	<b>1,90,179</b>	<b>2,21,886</b>	<b>2,32,481</b>
Depreciation	1,33,334	1,30,953	1,29,042	1,37,683	1,45,808
Interest	96,339	87,728	87,001	83,605	85,211
Others	869	-13,363	-19,297	-27,199	-29,093
(Inc)/Dec in WC	25,486	10,532	7,095	2,17,734	1,02,765
Direct Taxes Paid	-28,530	-33,807	-31,787	-43,736	-45,817
<b>CF from Operations</b>	<b>4,02,029</b>	<b>3,72,895</b>	<b>3,62,233</b>	<b>5,89,973</b>	<b>4,91,356</b>
(Inc)/Dec in FA	-82,426	-1,14,037	-2,41,113	-2,57,984	-3,27,170
FCF	3,19,602	2,58,858	1,21,120	3,31,989	1,64,186
(Pur)/Sale of Investments	11,044	-17,107	5,780	26,097	27,990
<b>CF from Investments</b>	<b>-71,383</b>	<b>-1,31,144</b>	<b>-2,35,333</b>	<b>-2,31,887</b>	<b>-2,99,180</b>
Equity raised	0	0	0	0	0
Others	-2,787	18,388	22,493	-86,207	-26,830
(Inc)/Dec in Debt	-1,32,578	-53,168	66,385	-41,812	-36,176
Interest Paid	-86,468	-93,677	-92,300	-83,605	-85,211
Dividend Paid	-85,449	-1,12,189	-97,656	-89,286	-93,006
<b>CF from Fin. Activity</b>	<b>-3,07,282</b>	<b>-2,40,646</b>	<b>-1,01,079</b>	<b>-3,00,909</b>	<b>-2,41,223</b>
<b>Inc/Dec of Cash</b>	<b>23,364</b>	<b>1,105</b>	<b>25,821</b>	<b>57,176</b>	<b>-49,048</b>
Add: Beginning Balance	50,482	73,846	74,951	1,00,772	1,57,949
<b>Closing Balance</b>	<b>73,846</b>	<b>74,951</b>	<b>1,00,772</b>	<b>1,57,949</b>	<b>1,08,901</b>

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## NOTES



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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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