

Retail Equity Research  
**Torrent Power Ltd.**  
Power

**ACCUMULATE**

BSE CODE : 532779 NSE CODE: TORNTPOWER  
BLOOMBERG CODE: TPW:IN SENSEX : 82,555

12 Months Investment Period Rating as per Mid Cap  
CMP Rs.1,715 TARGET Rs.1,893 RETURN 10% ↑  
(Closing: 03-09-2024)

**KEY CHANGES:**

**TARGET** ↑

**RATING** ↑

**EARNINGS** ↑

**Expanding renewable and transmission footprint**

Torrent Power Ltd. (TPL) is one of the leading power utility companies in India, with functions across generation, transmission, and distribution. It has operations spread across Gujarat, Maharashtra, UP, and Karnataka.

- TPL's revenues grew by 23% YoY to Rs. 9,034cr. Margins expanded by 440bps enabling EBITDA growth of 57%YoY. PAT surged 87% YoY to Rs.996cr.
- TPL is currently developing two transmission projects, namely Khavda transmission project (project cost Rs.800cr.) and Solapur Transmission project (project cost Rs.470cr.).
- TPL plans to expand its renewables portfolio, with over 3.2GW of projects under pipeline. This, combined with the transmission projects, will see TPL invest close to Rs.20,000cr. in the next 3-4 years.
- We shift the valuation methodology from P/Bk to SOTP, valuing the new transmission and pumped storage projects on DCF and the green hydrogen project on a P/Bk basis. We arrive at a target of Rs.1,893, thereby upgrading our rating to "ACCUMULATE " rating.

**Stellar Q1FY25 Performance, PAT surged 87%YoY**

TPL's revenues grew by 23% YoY to Rs.9,034cr., driven by a 65% increase in the thermal generation segment. EBITDA rose by 57% YoY, with margins expanding over 440 bps. PBT increased by 85% YoY, and adjusted for a non-recurring carrying cost of Rs.102cr. approved by the regulator, it still showed a 71% growth. Reported PAT was Rs.996cr., up 87% YoY.

**Project wins in Transmission segment**

TPL has two transmission projects currently under development, namely, Rs.800cr. Khavda transmission project with a post tax return on equity of 15% plus incentive and the Inter-State- Transmission-Scheme (ISTS) Solapur transmission project, which was on a competitive bidding basis. The Solapur project has annual transmission charges of Rs.50cr. per annum for 35 years, and the project cost is expected to be at Rs.470cr. The project is expected to be commissioned in 24 months from the effective date.

**3.2GW renewable projects under pipeline**

TPL is keeping strides with increasing the renewables share in its generation portfolio. It has 3.2GW of renewable capacity addition in its pipeline, with 65.75% contracted capacity. 17.5% of these projects are from commercial and industrial customers. While most of the projects have an off-taker, the generation from the Airpower Hybrid project will be sold directly in the merchant market. The total cost of projects in pipeline is expected to be at Rs.18,975cr. with the projects expected to be commissioned progressively over the next couple of years. This, coupled with the project development cost of transmission projects, pegs the investment at Rs.20,000cr over the next three to four years.

**Valuation**

We anticipate the EPS/BVPS of TPL to grow at 36%/15%CAGR in the FY24-26E period. As Torrent Power expands its renewables portfolio and transmission footprint, we shift the valuation methodology from P/B to SOTP basis, valuing renewables, thermal, and distribution projects on an EV/EBITDA basis. We value the upcoming transmission projects and pumped storage projects on a DCF basis, while the green hydrogen project is valued at 2X P/Bk multiple. We arrive at a target price of Rs.1,875, thereby upgrading the stock to an ACCUMULATE rating.

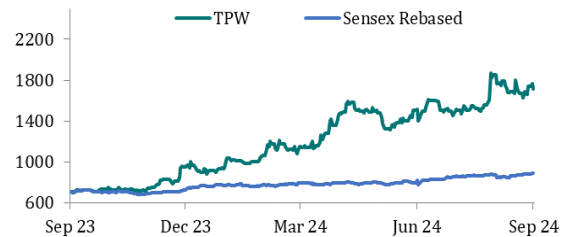
**Company Data**

Market Cap (Rs cr)	82,322
Enterprise Value (Rs cr)	90,927
Outstanding Shares (Rs cr)	48.1
Free Float	46%
Dividend Yield	0.9%
52 week high (Rs)	1,907
52 week low (Rs)	662
6m average volume (cr)	0.14
Beta	0.8
Face value (Rs)	10.0

Shareholding (%)	Q3FY24	Q4FY24	Q1FY25
Promoters	53.6	53.6	53.6
FPI's	6.1	6.4	8.4
MFs/Institutions	21.6	21.5	19.5
Public	18.7	18.6	18.5
Total	100.0	100.0	100.0
Promoter pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	19.0%	49.6%	142.8%
Absolute Sensex	11.0%	11.4%	25.8%
Relative Return*	8.0%	38.3%	117.0%

\*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	27,183	30,788	33,690
Growth (%)	6	13	9
EBITDA	4,559	6,315	7,319
EBITDA Margin(%)	17	21	22
PAT Adj.	1,896	2,988	3,529
Growth (%)	(12)	58	18
Adjusted EPS	39.4	62.2	73.4
Growth (%)	(12)	58	18
P/E	43.5	27.6	23.4
P/B	6.5	5.7	4.9
EV/EBITDA	20.7	14.9	12.9
ROE (%)	15.7	22.1	22.6
D/E	0.9	0.8	0.7

**Arun Kailasan**

**Research Analyst**

## Quarterly Financials (Consolidated)

(Rs.cr)	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
<b>Sales</b>	<b>9,034</b>	<b>7,328</b>	23	<b>6,529</b>	38
<b>EBITDA</b>	<b>1,858</b>	<b>1,185</b>	57	<b>1,109</b>	68
EBITDA margins (%)	21	16	440bps	17	358bps
Depreciation	359	332	8	355	1
<b>EBIT</b>	<b>1,498</b>	<b>853</b>	76	<b>754</b>	99
Interest	260	227	14	233	11
Other Income	76	86	(11)	97	(21)
Exceptional Items	0	0	NA	0	NA
<b>PBT</b>	<b>1,315</b>	<b>711</b>	85	<b>617</b>	113
Tax	318	179	78	170	87
<b>Reported PAT</b>	<b>996</b>	<b>532</b>	87	<b>447</b>	123
Adjustments	0	0	NA	0	NA
<b>Adj PAT</b>	<b>996</b>	<b>532</b>	87	<b>447</b>	123
No. of Shares	48	48		48	
<b>EPS (Rs)</b>	<b>21</b>	<b>11</b>	87	<b>9</b>	123

## Change in estimates

Years/Rs cr	Old Estimates		New Estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	30,428	32,783	30,788	33,690	1.2	2.8
EBITDA	5,538	6,163	6,315	7,319	14.0	18.8
Margins (%)	18.2	18.8	20.5	21.7	231bps	292bps
Adj. PAT	2,361	2,370	2,988	3,529	26.6	48.9
EPS	49.1	49.3	62.2	73.4	26.6	48.9

## SOTP Valuation

Business Vertical	Valuation Methodology	Year	Operational Metric	Multiple	Value (Rs. cr)
<b>Generation Business</b>	<b>EV/EBITDA</b>	<b>FY26E</b>	2,396	7.5	17,970
<b>Distribution Business</b>	<b>EV/EBITDA</b>	<b>FY26E</b>	3,967	13	20,743
<b>Renewable Business</b>	<b>EV/EBITDA</b>	<b>FY26E</b>	1,383	15	49,583
<b>A. Total</b>					<b>88,296</b>
<b>B. Value of New Projects</b>					<b>15,549</b>
<i>Pumped Storage Project</i>	<b>DCF</b>				9,599
<i>Green Hydrogen Project</i>	<b>P/B</b>		2,100	2	4,200
<i>Solapur Transmission Project</i>	<b>DCF</b>				1,399
<i>Torrent Power PGCIL JV</i>	<b>DCF</b>				351
less : Debt					(13,585)
less : Minority interest					(536)
Add : Cash and Cash Equivalents					1,263
<b>Equity Value</b>					<b>90,987</b>
<b>Target Price (Per share)</b>					<b>1,893</b>

## Consolidated Financials

### PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Revenue</b>	<b>14,258</b>	<b>25,694</b>	<b>27,183</b>	<b>30,788</b>	<b>33,690</b>
% change	17.1	80.2	5.8	13.3	9.4
<b>EBITDA</b>	<b>3,591</b>	<b>4,759</b>	<b>4,559</b>	<b>6,315</b>	<b>7,319</b>
% change	3.6	32.5	(4.2)	38.5	15.9
Depreciation	1,334	1,281	1,378	1,714	1,954
<b>EBIT</b>	<b>2,257</b>	<b>3,478</b>	<b>3,182</b>	<b>4,601</b>	<b>5,365</b>
Interest	628	818	943	1,007	1,087
Other Income	235	382	344	390	427
<b>PBT</b>	<b>564</b>	<b>3,041</b>	<b>2,583</b>	<b>3,984</b>	<b>4,705</b>
% change	(63.7)	439.3	(15.1)	54.3	18.1
Tax	105	877	687	996	1,176
Tax Rate (%)	19	29	27	25	25
<b>Reported PAT</b>	<b>459</b>	<b>2,165</b>	<b>1,896</b>	<b>2,988</b>	<b>3,529</b>
Adj*	1,300	0	0	0	0
<b>Adj PAT</b>	<b>1,759</b>	<b>2,165</b>	<b>1,896</b>	<b>2,988</b>	<b>3,529</b>
% change	35.7	23.1	(12.4)	57.6	18.1
No. of shares (cr)	48	48	48	48	48
<b>Adj EPS (Rs.)</b>	<b>37</b>	<b>45</b>	<b>39</b>	<b>62</b>	<b>73</b>
% change	35.7	23.1	(12.4)	57.6	18.1
DPS (Rs.)	15	22	16	23	27

### CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Net inc. + Depn.</b>	<b>1,667</b>	<b>3,832</b>	<b>3,462</b>	<b>4,702</b>	<b>5,482</b>
Non-cash adj.	1,664	547	557	1,007	1,087
Changes in W.C	<b>-163</b>	<b>-924</b>	<b>238</b>	<b>-236</b>	<b>748</b>
<b>C.F - Operation</b>	<b>3,167</b>	<b>3,456</b>	<b>4,258</b>	<b>5,473</b>	<b>7,317</b>
Capital exp.	-1,809	-3,089	-3,656	-3,885	-5,557
Change in inv.	-280	146	104	0	0
Other invest.CF	-394	-273	8	0	0
<b>C.F - Investment</b>	<b>-2,483</b>	<b>-3,216</b>	<b>-3,544</b>	<b>-3,885</b>	<b>-5,557</b>
Issue of equity	0	0	0	0	0
Issue/repay debt	48	530	88	-7	-87
Dividends paid	-702	-1,062	-771	-1,106	-1,306
Other finance.CF	152	191	132	0	0
<b>C.F - Finance</b>	<b>-502</b>	<b>-341</b>	<b>-551</b>	<b>-1,112</b>	<b>-1,392</b>
Chg. in cash	182	-101	163	476	368
<b>Closing cash</b>	<b>352</b>	<b>344</b>	<b>419</b>	<b>895</b>	<b>1,263</b>

### BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	352	344	419	895	1,263
Accounts Receivable	1,603	2,246	2,191	2,699	2,400
Inventories	538	820	800	786	781
Other Cur. Assets	2,459	3,255	4,159	4,710	5,155
Investments	508	939	1,049	1,188	1,300
Gross Fixed Assets	27,522	30,770	34,635	38,192	43,485
Net Fixed Assets	16,974	18,342	20,913	22,649	25,875
CWIP	1,297	2,625	2,472	2,800	3,064
Intangible Assets	123	927	890	996	1,110
Def. Tax (Net)	35	39	66	75	82
Other Assets	1,133	374	433	491	537
<b>Total Assets</b>	<b>25,023</b>	<b>29,910</b>	<b>33,392</b>	<b>37,290</b>	<b>41,566</b>
Current Liabilities	3,874	5,072	5,943	6,536	7,201
Provisions	275	264	202	228	250
Debt Funds	9,098	10,496	11,585	12,585	13,585
Other Liabilities	1,797	2,591	3,065	3,461	3,828
Equity Capital	481	481	481	481	481
Reserves & Surplus	9,498	11,006	12,117	13,999	16,222
Shareholder's Fund	9,979	11,487	12,598	14,480	16,703
<b>Total Liabilities</b>	<b>25,023</b>	<b>29,910</b>	<b>33,392</b>	<b>37,290</b>	<b>41,566</b>
<b>BVPS (Rs.)</b>	<b>208</b>	<b>239</b>	<b>262</b>	<b>301</b>	<b>348</b>

### RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	25.2	18.5	16.8	20.5	21.7
EBIT margin (%)	15.8	13.5	11.7	14.9	15.9
Net profit mgn.(%)	12.3	8.4	7.0	9.7	10.5
ROE (%)	17.4	20.2	15.7	22.1	22.6
ROCE (%)	9.8	8.9	10.7	9.1	12.0
<b>W.C &amp; Liquidity</b>					
Receivables (days)	39	27	30	29	28
Inventory (days)	20	13	14	13	12
Payables (days)	47	29	35	36	37
Current ratio (x)	1.3	1.3	1.3	1.4	1.3
Quick ratio (x)	1.1	1.2	1.1	1.3	1.2
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	0.5	0.9	0.8	0.8	0.8
Total asset T.O (x)	0.6	0.9	0.9	0.9	0.9
Int. coverage ratio (x)	2.9	3.0	2.5	3.4	3.7
Adj. debt/equity (x)	0.9	0.9	0.9	0.8	0.7
<b>Valuation</b>					
EV/Sales (x)	6.6	3.7	3.5	3.1	2.8
EV/EBITDA (x)	26.2	19.8	20.7	14.9	12.9
P/E (x)	46.9	38.1	43.5	27.6	23.4
P/BV (x)	8.3	7.2	6.5	5.7	4.9

## Recommendation summary (Last 3 Years)



Dates	Rating	Target
28-Mar-23	ACCUMULATE	550
22-Jun-23	ACCUMULATE	747
12-Dec-23	SELL	833
21-Feb-24	SELL	1,038
03-Sep-24	ACCUMULATE	1,893

Source: Bloomberg, Geojit Research.

## Investment Criteria

Ratings	Large caps	Midcaps	Small Caps
<b>Buy</b>	Upside is above 10%	Upside is above 15%	Upside is above 20%
<b>Accumulate</b>	-	Upside is between 10%-15%	Upside is between 10%-20%
<b>Hold</b>	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
<b>Reduce/sell</b>	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
<b>Not rated/Neutral</b>			

### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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