

Power Grid Corporation of India

Estimate change	↔
TP change	↓
Rating change	↔

CMP: INR291 **TP: INR345 (+18%)** **Buy**

Muted performance; robust capex outlook intact

- In 1QFY26, Power Grid Corporation (PWGR) reported a standalone (SA) revenue of INR99.3b (-1% YoY), 6% below our estimate. EBITDA was 12% below our estimate at INR81.2b (-7% YoY), hit by a 66% YoY surge in other expenses. Adj. SA PAT was 6% below our est. at INR34.7b, supported by higher-than-expected other income and lower tax expenses.
- In the analyst meet, management reiterated its robust capex trajectory, improving capitalization trends, and a strong project pipeline. Capex guidance remains unchanged at INR280b/INR350b/INR450b for FY26/FY27/FY28, respectively. However, the capitalization target for FY26 has been slightly revised downward to INR220b (vs. earlier guidance of INR230–250b), owing to persistent issues related to right-of-way (RoW).
- Looking ahead, the interstate and intrastate TBCB pipelines are expected to witness cumulative bidding opportunities of INR6t and INR3t, respectively, by 2032, underscoring a healthy growth runway for PWGR's regulated and bid-based project segments.
- We **reiterate our BUY rating** on the stock with a TP of INR345 (based on 3x FY27E BVPS).

EBITDA below estimate; higher other income supports PAT

- **SA performance:**
 - In 1QFY26, PWGR reported SA revenue of INR99.3b (-1% YoY), 6% below our estimate. EBITDA was 12% below our estimate at INR81.2b (-7% YoY), hit by a 66% YoY surge in other expenses.
 - Adj. SA PAT was 6% below our est. at INR34.7b, supported by higher-than-expected other income and lower tax expenses. The weakness in PAT was likely attributable to capitalization continuing to trail company guidance.
 - The net movement in regulatory deferral account balances was at INR2.1b during the quarter.
- **Consolidated performance:**
 - The company reported an EBITDA of INR 93.6b (-2% YoY), while PAT declined ~2% YoY to INR 36.3b.
 - The transmission segment remained the primary revenue driver, contributing 97.31% of consolidated EBIT (INR62.2b). The telecom segment contributed 2.21%, with EBIT of INR1.4b.
 - In 1QFY26, its JVs reported a loss of INR0.44b (vs. a loss of INR0.3b in 4QFY25 and a profit of INR0.29b in 1QFY25).
- **The Board of Directors approved the following:**
 - Enhancement of the borrowing limit from INR160b to INR250b for FY25-26, through various sources, including private placement of non-convertible debentures (NCDs).
 - Fundraising of up to INR300b during FY26-27 via domestic bonds (secured/unsecured, non-convertible, redeemable, taxable/tax-free) under private placement, in one or more tranches.
 - In-principle approval for participation in up to two TBCB projects, with a cumulative estimated cost of INR5b, through a consortium of PWGR and PGInvIT.

Bloomberg	PWGR IN
Equity Shares (m)	9301
M.Cap.(INRb)/(USDb)	2708.8 / 30.9
52-Week Range (INR)	366 / 247
1, 6, 12 Rel. Per (%)	2/-4/-18
12M Avg Val (INR M)	4234

Financials & Valuations (INRb)

Y/E March	FY25	FY26E	FY27E
Sales	460.7	498.5	530.6
EBITDA	393.4	423.3	444.5
Adj. PAT	155.2	167.1	177.7
Adj. EPS (INR)	16.7	18.0	19.1
EPS Gr. (%)	-0.3	7.7	6.4
BV/Sh.(INR)	99.6	107.0	115.2

Ratios

Net D:E	1.4	1.3	1.2
RoE (%)	17.3	17.4	17.2
RoCE (%)	9.7	10.2	10.4
Payout (%)	53.9	53.4	52.3

Valuations

P/E (x)	17.4	16.2	15.2
P/BV (x)	2.9	2.7	2.5
EV/EBITDA (x)	9.9	9.1	8.7
Div. Yield (%)	3.1	3.3	3.4
FCF Yield (%)	4.5	9.6	6.3

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	51.3	51.3	51.3
DII	18.6	18.4	16.3
FII	26.5	26.8	28.7
Others	3.6	3.5	3.6

FII Includes depository receipts

Highlights of the 1QFY26 performance:

- **Project execution & operational performance**
 - Consolidated capex for 1QFY26 stood at INR69.8b, with capitalization of INR28b.
 - Added 652ckm of transmission lines and 19,370 MVA of transformation capacity during the quarter.
 - Transmission system performance remained strong with 99.84% availability and 0.08 trippings per line per year as of 1QFY26.
- **Consultancy segment**
 - Revenue grew to INR3.3b in 1QFY26 (vs. INR1.2b in 1QFY25), supported by an INR1.5b contribution from the newly launched smart meter business.
- **Capex & capitalization guidance**
 - The capex target has been maintained for FY26 at INR280b (RTM: INR35.5b, TBCB: INR190.6, and others: INR53.8b).
 - Capex target for FY27/FY28: INR350b/INR450b.
 - The FY26 capitalization target stands at INR220b, with quarterly phasing as follows: 2Q – INR30b, 3Q – INR70b, and 4Q – INR80b.
 - Capitalization target for FY27: INR200-250b.
- **Works in hand**
 - Total work-in-hand stands at INR1.48t, including INR999b for TBCB projects, INR90b for ongoing RTM projects, INR370b for new RTM projects, and INR26b for other projects.

Valuation and view

We derive our TP of INR345 for PWGR based on FY27E BVPS and a P/B multiple of 3x, which we believe is reasonable given that its capex and capitalization are on a multi-year uptrend with the order book at an elevated level.

SA Quarterly Performance

Y/E March	FY25				FY26E				FY25	FY26E	FY26E	Var.	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	%	%	%
Sales	100.7	102.6	101.2	109.8	99.3	107.3	105.9	120.9	414.3	433.4	106	-6%	-1%	-10%
YoY Change (%)	-1.7	5.3	-5.2	-0.6	-1.4	4.6	4.6	10.1	-0.9	4.6	5.1			
EBITDA	87.4	87.9	85.2	92.2	81.2	92.7	90.1	108.2	352.8	372.2	93	-12%	-7%	-12%
YoY Change (%)	-2.9	3.0	-9.3	0.9	-7.2	5.5	5.7	17.3	-2.5	5.5	5.9			
As of % Sales	86.8	85.6	84.2	84.0	81.8	86.4	85.1	89.5	85.1	85.9	87.5			
Depreciation	30.7	31.6	30.7	30.4	29.7	33.2	32.3	34.6	123.5	129.8	32	-8%	-3%	-2%
Interest	21.6	26.0	21.3	25.9	23.0	26.3	21.5	24.9	94.8	95.8	22	6%	7%	-11%
Other Income	7.8	11.2	14.9	15.0	13.3	11.6	15.4	10.4	48.9	50.7	8	64%	70%	-11%
Regulatory/Extraordinary Items	-0.6	2.5	0.4	0.5	2.1	0.0	0.0	0.0	2.8	2.1	0			
PBT	42.3	43.9	48.5	51.4	43.9	44.8	51.8	59.1	186.2	199.6	47	-6%	4%	-15%
Tax	8.2	6.8	9.6	8.1	7.3	8.0	11.4	11.9	32.7	38.6	10	-24%	-11%	-9%
Effective Tax Rate (%)	19.4	15.5	19.8	15.7	16.7	17.9	21.9	20.1	17.5	19.4	20.8			
Reported PAT	34.1	37.1	38.9	43.4	36.5	36.8	40.4	47.2	153.5	160.9	37	-1%	7%	-16%
YoY Change (%)	-3.7	-3.2	-1.9	5.0	7.1	-0.9	3.8	8.9	-0.8	4.8	8.1			
Adjusted PAT	34.6	35.0	38.6	42.9	34.7	36.8	40.4	47.2	151.2	159.1	37	-6%	0%	-19%
YoY Change (%)	-8.7	4.8	-0.4	0.5	0.4	5.0	4.7	10.0	-1.1	5.3	6.6			

Our valuation for PWGR

BVPS- FY27	INR	115
P/B multiple	(x)	3
Target Price	INR	345
CMP	INR	291
Upside / (Downside)	%	19%



Highlights from the management commentary

■ Project execution and financial performance:

- In 1QFY26, on a consolidated basis, capex was INR69.8b and capitalization was INR28b.
- About 652ckm of transmission lines and 19,370MVA transformation capacity were added.
- Up to 1QFY26, Transmission system availability was 99.84%, and trippings per line per year stood at 0.08.
- During the quarter, billing of INR84.3b was done while realization was INR86.7b.
- Debt stood at INR1,306b, and net worth stood at INR964b.

■ Telecom division highlights:

- Customer Growth: Added 16 new customers.
- Income rose by 17% YoY to INR2.9b.
- Order inflow during the quarter was INR0.59b.

■ Consultancy Segment highlights:

- Income grew to INR3.3b in 1QFY26 (vs. 1.2b in 1QFY25), which included INR1.5b from the new smart meter business.
- PWGR received two new international and 11 new domestic orders during the quarter.

■ Capex, capitalization, and works in hand:

- FY26 capitalization target at INR220b, with quarterly phasing: 2Q- INR30b, 3Q INR70b, and 4Q- INR80b.
- Capitalization target for FY27- INR200-250b.
- The capex target has been maintained for FY26 at INR280b (RTM: INR35.5b, TBCB: INR190.6, and others: INR53.8b).
- Capex target for FY27/FY28 : INR350b/INR450b.
- Work in hand at INR1.48t, including INR999b for TBCB projects, INR90b for ongoing RTM projects, INR370b for new RTM projects, and INR26b for other projects (Most values are based on NCT cost except Khavda–Nagpur, where actual cost is INR350b vs. NCT INR240b).

■ Sectoral outlook:

- Growth in the transmission network is driven by India's 2032 targets: 600GW non-fossil capacity, 71GW demand from green hydrogen, and 83GW of energy storage (47 GW BESS + 36 GW pumped hydro).
- As per the National Electricity Plan (NEP), over INR9t of transmission projects will be completed by FY32; hence, all should be awarded by FY30. Of this, only INR3t has been awarded so far, implying that the remaining INR6t must be bid out over the next five years, averaging ~INR1t of bidding annually.

■ New projects:

- INR290b worth of projects are approved, for which bids are yet to come. Projects worth ~INR390b have already been bid out, which are due for bid submission. Thus, ~INR670b projects are expected to be finalized in FY26, and the company aims to win at least 50-60% of these.
- In addition, ~INR750b worth projects which have been recently approved in NCT are expected to be bid out in the future.
- So, in total, ~INR1.4t worth of projects are currently up for grabs.

■ **New Business Segments and Strategic Initiatives**

- Expanding presence in green hydrogen, BESS, and solar (Participating in 2,000MW/4,000 MWh BESS tender in Rajasthan).
- The aim is to become a significant player in green hydrogen and BESS over the next 2-3 years.

■ **RoW challenges**

- Right of Way (RoW) remains a key hurdle in meeting capitalization targets.
- A special women-led cell was created to expedite RoW issues.
- Offering fair compensation to landowners, the Mar'25 guidelines mandate a shift from circle rate to market rate (typically 4-6x higher).
- RoW progress seen in Gujarat, Maharashtra, and parts of Rajasthan; still challenging in Delhi and Haryana.

■ **Leh HVDC project:**

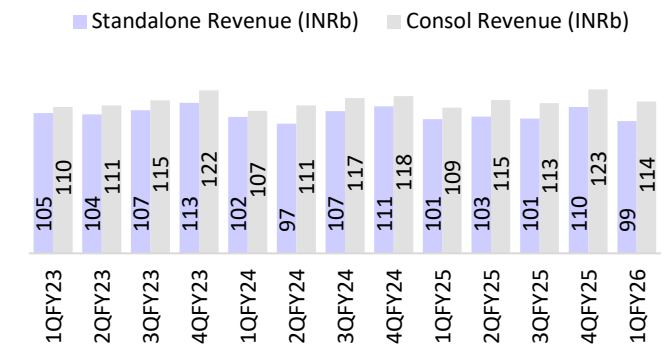
- The Leh transmission project presents significant challenges as it's working at a height of 4500m-5000m. Currently, only one party is interested and has submitted queries, which are expected to be resolved within the next 2 months, following which the order is likely to be awarded to that HVDC OEM.
- Simultaneously, the company is also evaluating the technical and economic feasibility of an AC transmission alternative.

■ **Revenue pressure from the RTM projects drives the need for continuous commissioning.**

- Currently, ~90% of the revenue is derived from RTM projects, which follow a regulated tariff structure as per CERC norms under which, depreciation is charged at 5.28% for the first 12 years, post which it declines to ~1.8%, resulting in a corresponding reduction in tariff—and hence, revenue— as every year some or the other project is completing 12 years. Similarly, for loans also, period is 10-12 years post which the interest on loan which is pass through which we get in revenue also reduces every year.
- As a result, RTM project revenues are reducing every year, which is being compensated for by revenue from TBCB projects. So, if the company commissions more projects, only then will the revenue grow.
- Transformer costs have risen 10- 20% annually, nearly doubling in the last seven years.

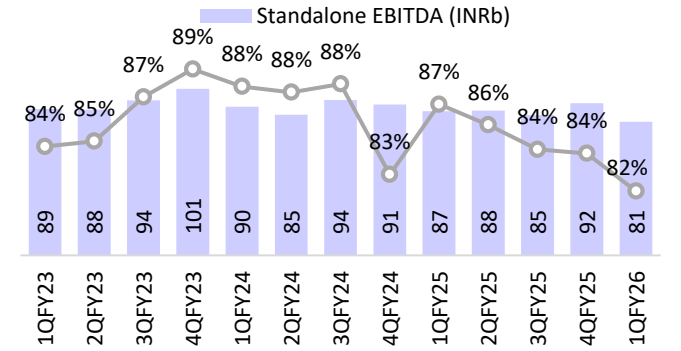
Story in charts – 1QFY26

Exhibit 1: SA and consolidated revenue



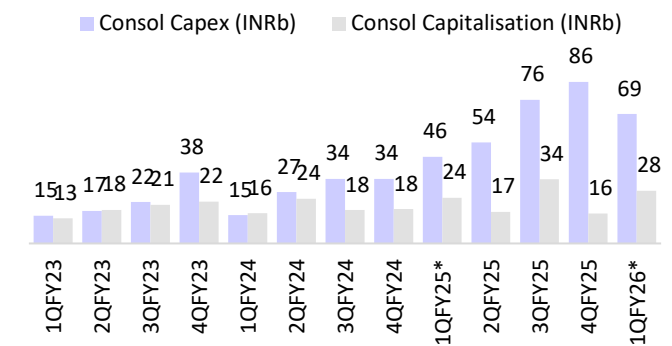
Source: Company, MOFSL

Exhibit 2: SA EBITDA (INR b) and EBITDA margin



Source: Company, MOFSL

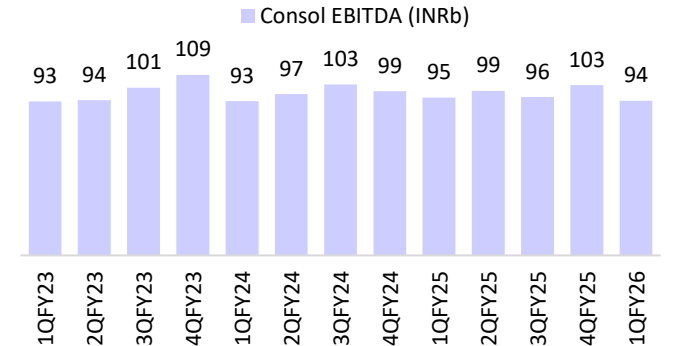
Exhibit 3: Consol. capex and capitalization



*Capitalisation till Apr-Jul

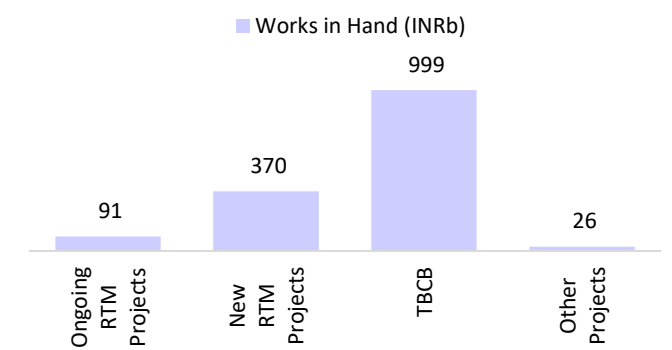
Source: Company, MOFSL

Exhibit 4: Consol. EBITDA (INRb)



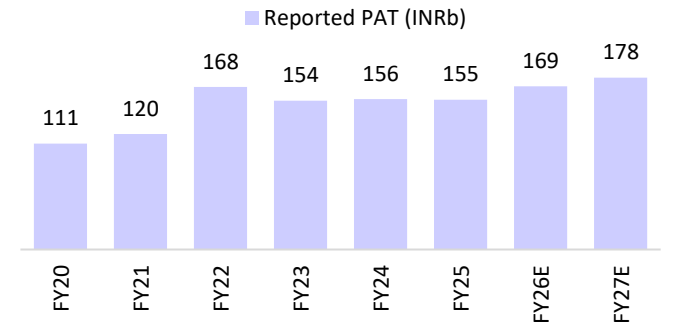
Source: Company, MOFSL

Exhibit 5: Works in hand (as of 26th Jul'26)



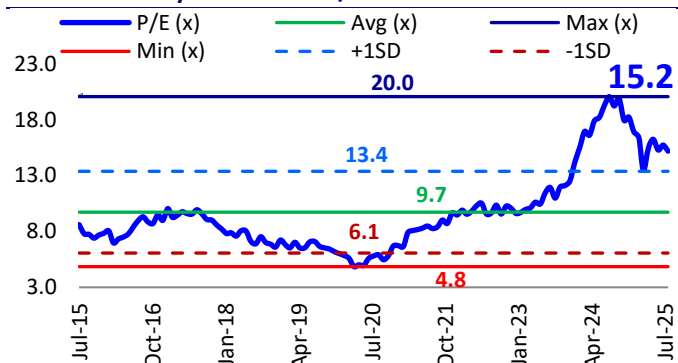
Source: Company, MOFSL

Exhibit 6: Consol. PAT growth over FY20-27E



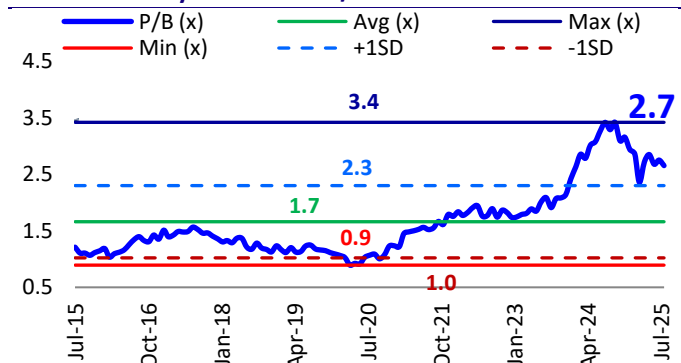
Source: Company, MOFSL

Exhibit 7: One-year forward P/E



Source: Company, MOFSL

Exhibit 8: One-year forward P/B



Source: Company, MOFSL

Financials and valuations

Consolidated Income Statement

(INR m)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Net Sales	4,58,517	4,52,717	4,60,686	4,98,525	5,30,570
Change (%)	11.6	-1.3	1.8	8.2	6.4
Expenditure	61,032	59,402	67,270	75,249	86,048
Gross Profit	4,58,517	4,52,717	4,60,686	4,98,525	5,30,570
EBITDA	3,97,485	3,93,315	3,93,417	4,23,276	4,44,522
% of Net Sales	86.7	86.9	85.4	84.9	83.8
Depreciation	1,33,334	1,30,953	1,29,042	1,38,370	1,46,528
Interest	96,339	87,728	87,001	93,024	94,758
Other Income	10,025	10,700	16,671	17,199	19,093
PBT before EO	1,77,837	1,85,335	1,94,045	2,09,081	2,22,329
EO income (expense)	0	0	0	2,143	0
PBT after EO	1,77,837	1,85,335	1,94,045	2,11,224	2,22,329
Tax	22,819	29,408	37,728	41,307	43,488
Rate (%)	12.8	15.9	19.4	19.6	19.6
Share of JVs and asso.	-821	-196	-1,103	-1,103	-1,103
Reported PAT	1,54,197	1,55,732	1,55,214	1,68,814	1,77,739
Adjusted PAT	1,54,197	1,55,732	1,55,214	1,67,090	1,77,739
Change (%)	10.3	1.0	-0.3	7.7	6.4

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	9,02,612	9,78,805
Net Worth	8,30,145	8,71,451	9,26,628	9,95,618	10,71,811
Loans	12,65,949	12,34,486	13,09,650	13,19,820	12,82,996
Deferred Rev. & tax	2,08,424	1,97,604	1,07,054	1,20,864	1,20,864
Capital Employed	23,04,518	23,03,542	23,43,332	24,36,302	24,75,671
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	12,26,056	13,61,993
Net Fixed Assets	18,54,370	17,77,606	17,23,202	18,38,177	20,11,240
Capital WIP	1,37,723	1,81,975	3,35,851	3,59,551	3,77,721
Investments	34,891	41,632	31,167	63,883	63,883
Other Assets	4,75,971	5,07,693	5,70,853	7,78,913	7,39,447
Inventory	13,400	14,063	18,025	13,510	14,350
Debtors	1,36,945	1,18,341	79,648	78,907	82,253
Cash & Bank Balance	73,846	74,951	1,00,772	1,57,484	1,00,725
Other Current Assets	1,33,195	1,75,900	1,96,939	3,79,849	3,92,955
Loans & Advances	1,18,585	1,24,438	1,75,469	1,49,164	1,49,164
Other Liabilities	1,98,438	2,05,364	3,17,740	6,04,222	7,16,619
Net Current Assets	2,77,534	3,02,330	2,53,113	1,74,691	22,827
Application of Funds	23,04,518	23,03,542	23,43,332	24,36,302	24,75,671

Financials and valuations

Ratios

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)					
EPS	16.6	16.7	16.7	18.0	19.1
Cash EPS	30.9	30.8	30.6	32.8	34.9
Book Value	89.3	93.7	99.6	107.0	115.2
DPS	11.1	11.3	9.0	9.6	10.0
Div. Payout (incl. Tax.)	66.7	67.2	53.9	53.4	52.3
Valuation (x)					
P/E	17.5	17.3	17.4	16.2	15.2
Cash P/E	9.4	9.4	9.5	8.8	8.3
EV/EBITDA	9.8	9.8	9.9	9.1	8.7
Price/Book Value	3.3	3.1	2.9	2.7	2.5
Dividend Yield (%)	3.8	3.9	3.1	3.3	3.4
Profitability Ratios (%)					
RoE	19.4	18.3	17.3	17.4	17.2
RoCE	10.3	10.0	9.7	10.2	10.4
RoIC	11.1	10.9	11.0	12.3	12.7
Turnover Ratios					
Debtors (Days)	109	95	63	58	57
Inventory (Days)	9	9	9	7	6
Current Liabilities (Days)	134	132	165	292	305
Asset Turnover (x)	0.2	0.3	0.3	0.3	0.3
Leverage Ratio					
Net Debt/EBITDA	3.0	2.9	3.1	2.7	2.7
Debt/Equity (x)	1.5	1.4	1.4	1.3	1.2

Cash Flow Statement

Y/E March	FY23	FY24	FY25	FY26E	FY27E
PBT before EO Items					
Depreciation	1,33,334	1,30,953	1,29,042	1,38,370	1,46,528
Interest	96,339	87,728	87,001	93,024	94,758
Others	869	-13,363	-19,297	-17,199	-19,093
(Inc)/Dec in WC	25,486	10,532	7,095	1,35,133	95,105
Direct Taxes Paid	-28,530	-33,807	-31,787	-41,307	-43,488
CF from Operations	4,02,029	3,72,895	3,62,233	5,17,102	4,96,139
(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	2,59,118	1,68,969
(Pur)/Sale of Investments	11,044	-17,107	5,780	16,097	17,990
CF from Investments	-71,383	-1,31,144	-2,35,333	-2,41,887	-3,09,180
Equity raised	0	0	0	0	0
Others	-2,787	18,388	22,493	-46,364	-19,130
(Inc)/Dec in Debt	-1,32,578	-53,168	66,385	10,170	-36,824
Interest Paid	-86,468	-93,677	-92,300	-93,024	-94,758
Dividend Paid	-85,449	-1,12,189	-97,656	-89,286	-93,006
CF from Fin. Activity	-3,07,282	-2,40,646	-1,01,079	-2,18,504	-2,43,718
Inc/Dec of Cash	23,364	1,105	25,821	56,711	-56,759
Add: Beginning Balance	50,482	73,846	74,951	1,00,772	1,57,484
Closing Balance	73,846	74,951	1,00,772	1,57,484	1,00,725

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

NOTES

Explanation of Investment Rating	
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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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