

Retail Equity Research

Torrent Power Ltd.

ACCUMULATE

Sector: Power

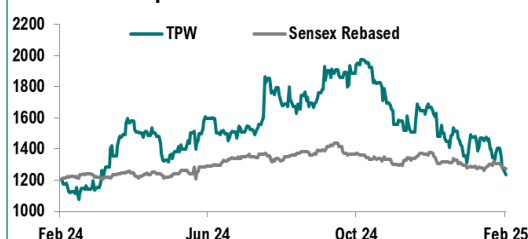
14th February 2025

Key Changes	Target	Rating	Earnings	Target	Rs.1,377
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Mid Cap	TPW:IN	75,939	TORNTPOWER	532779	12 Months
				CMP	Rs.1,238
				Return	+11%

Data as of: 14-02-2025

Company Data			
Market cap. (Rs. cr)	62,370		
52 Week High — Low (Rs.)	2,037– 1065		
Enterprise Value (Rs. cr)	73,073		
Outstanding Shares (cr)	50.4		
Free Float (%)	49		
Dividend Yield (%)	1.5		
6m average volume (cr)	0.09		
Beta	0.9		
Face value (Rs)	10.0		
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	53.6	51.1	51.1
FII's	8.4	10.1	9.9
MFs/Institutions	19.5	21.2	21.2
Public	18.5	17.7	17.8
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-20.6%	-26.7%	2.4%
Absolute Sensex	-2.1%	-5.6%	5.4%
Relative Return	-18.5%	-21.1%	-3.0%

*over or under performance to benchmark index



Y.E March (cr)	FY25E	FY26E	FY27E
Sales	28,474	29,724	31,497
Growth (%)	4.7	4.4	6.0
EBITDA	5,520	5,877	6,722
EBITDA Margin (%)	19.4	19.8	21.3
PAT Adjusted	2,334	2,713	3,432
Growth (%)	23.1	16.2	26.5
Adjusted EPS	46	54	68
Growth (%)	17.4	16.2	26.5
P/E	26.7	23.0	18.2
P/B	3.6	3.2	2.9
EV/EBITDA	13.4	12.6	11.0
ROE (%)	15.5	14.7	16.9
D/E	0.5	0.3	0.3

Author: Arun Kailasan, Research Analyst

Seasonality affects thermal & renewables PLFs

Torrent Power Ltd. (TPW) 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.

- Q3 delivered tepid topline growth at 2.1%YoY to stand at 6,499cr as lower inter-segment revenues helped in offsetting decline in revenues from thermal , renewables and Distribution segments. 9MFY25 revenues stood at Rs.22,709cr. (up 9.9% YoY).
- Q3FY25 PBT stood at Rs.630cr., registering 22.7% YoY growth. However, adjusting for non-recurring credit of about Rs.77cr. Due to sale of investment in cable business, the PBT growth stands at 7.7%YoY only. Reported 9MFY25 PAT stands at Rs.1,981cr. (up 36.7% YoY) .
- Thermal contribution increased despite fall in PLFs , mainly due to higher contribution from sale of merchant power and LNG, enabling 670bps margin expansion.
- Similarly, fall in PLFs for wind and solar assets were seen in this quarter. The contributions from renewable generation were lower by 9%YoY as PLFs from existing wind power projects declined due to lower wind speed and lower contributions from incremental capacities of 300MW commissioned in this quarter.

Outlook & Valuation

Since our last recommendation, Torrent Power has corrected 15% as high valuations (at 4.7X 1 year forward P/Bk) could not be justified in the backdrop of inherent risk in the industry. Securing suitable land parcels and execution risks continues to be a headwind for the industry. We factor in these risks in this quarter by cutting our EBITDA / PAT expectations by 12% / 18%, respectively as slower addition of renewable capacities could crimp growth. **Based on SOTP methodology, we arrive at a target of Rs.1,377 which implies a PBk and P/E multiple of 3.2X and 20.2X, respectively. Therefore, we revise our rating on the stock to ACCUMULATE.**

Quarterly Financials Consol.

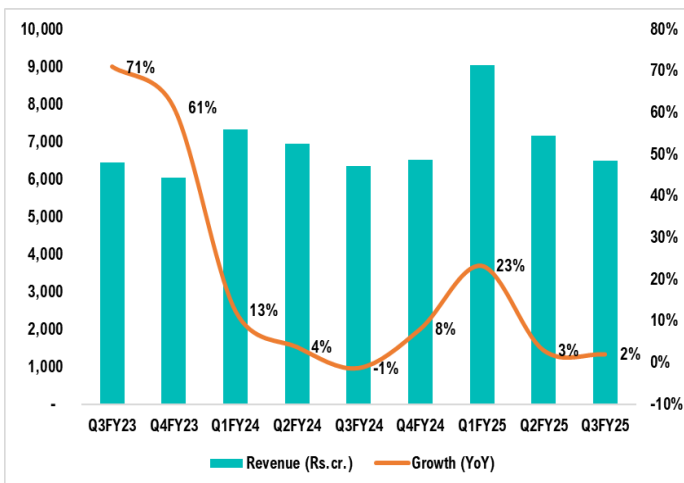
Rs.cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Sales	6,499	6,366	2.1	7,176	-9	22,709	20,655	9.9
EBITDA	1,112	1,044	6.5	1,207	-8	4,177	3,450	21.1
Margin (%)	17	16	70bps	17	28bps	18	17	169bps
EBIT	734	695	5.6	836	-12	3,069	2,428	26.4
PBT	630	513	22.7	689	-9	2,633	1,965	34.0
Rep. PAT	489	374	30.8	496	-1	1,981	1,449	36.7
Adj PAT	489	374	30.8	496	-1	1,981	1,449	36.7
EPS (Rs)	10	7	30.3	10	-2	40	29	37.0



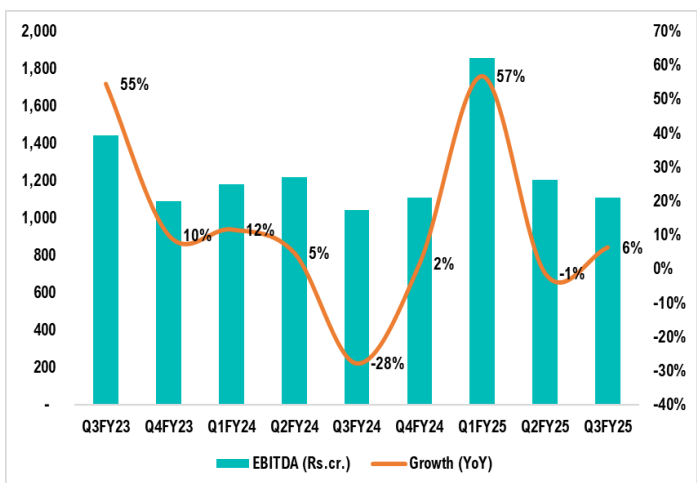
Key Concall and Investor Presentation Highlights

- The company has incurred Rs.915cr. Of capex in licensed distribution and Rs.176cr. Of capex in franchisee distribution segment for 9MFY25. Renewable capex stood at Rs.1300Cr. The company has retained capex guidance for the next year to be to the tune of Rs.2,000cr, with Rs.250cr. Capex on franchise and Rs.1,750cr. Capex in license distribution business.
- The quarter saw 300MW solar capacity addition, whose off-taker is the company's own discom. With this the aggregate commissioned generation capacity of the company stands at 4.7GW. The renewable energy pipeline now stands at 2.9GW with 48% wind and 52% solar projects.
- The company has projects of 8.4GW of pumped storage hydro-projects in pipeline which are currently under planning stage in the states of Maharashtra and Uttar Pradesh.
- Additionally, the company has also executed energy storage facility agreement with MSEDCL for developing and supplying 2,000MW/16,000MWh pump storage hydro power in Raigad District for 40 years.
- In the transmission segment, the company's strategic growth plan mentioned selective participation in tariff-based competitive bidding for inter-state and intra-state transmission projects. The company is also evaluating brownfield opportunities to strengthen presence in this segment.
- The board has approved an interim dividend of Rs.14 per equity share.

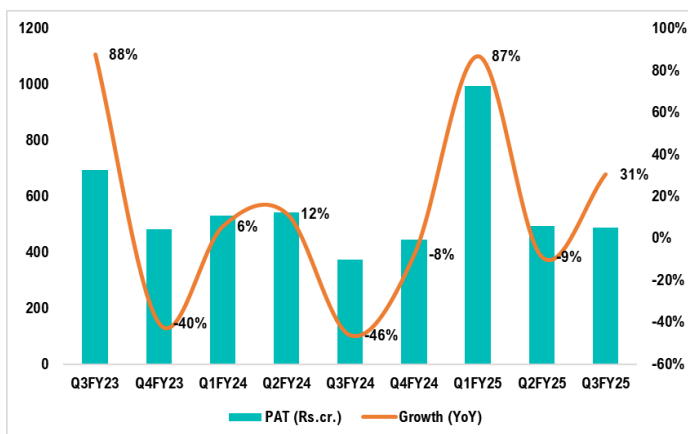
Revenue



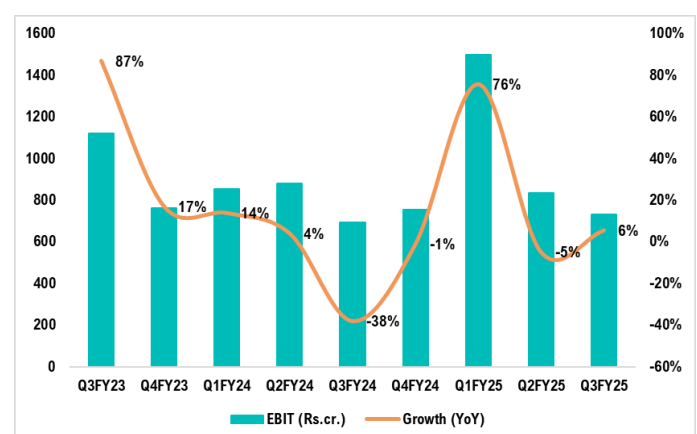
EBITDA



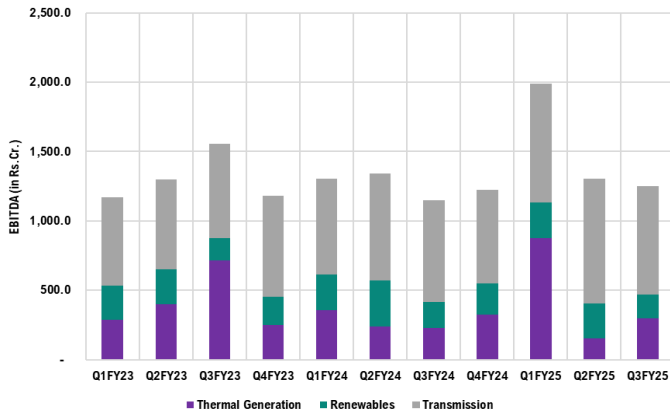
EBIT



PAT

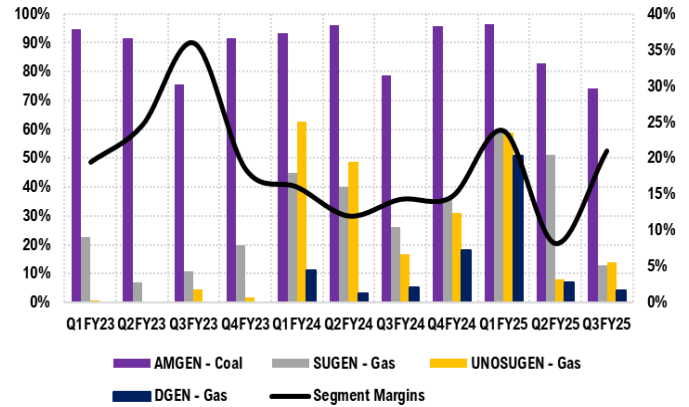


EBITDA Distribution



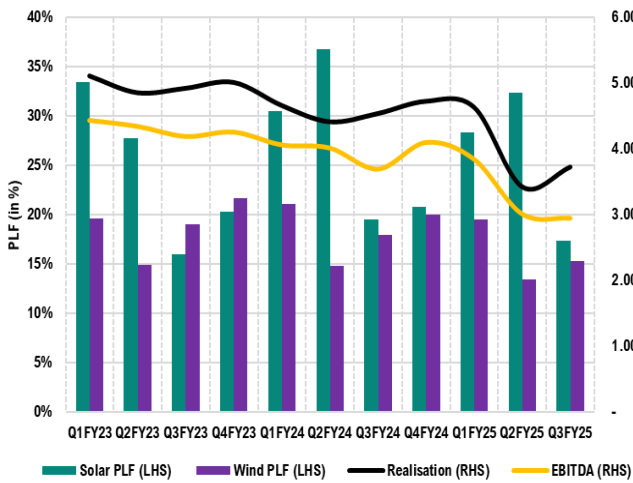
Source: Company, Geojit Research

Thermal PLFs Vs EBITDA margins

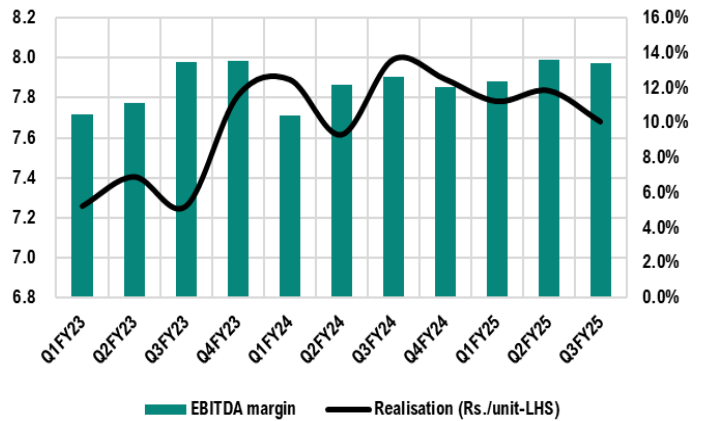


Source: Company, Geojit Research

Lower renewable PLFs impacted profitability while transmission segment margins improved 76bps.



Source: Company, Geojit Research



Source: Company, Geojit Research

SOTP Valuation

Business Vertical	Valuation Methodology	Year	FY27E Value	Multiple	Value (Rs. cr)
Generation Business	EV/EBITDA	FY27E	1,867	6.0X	11,199
Distribution Business	EV/EBITDA	FY27E	3299.6	8.0X	20,523
Renewable Business	EV/EBITDA	FY27E	1,955	10.5X	26,397
A. Total					58,119
B. Value of New Projects					17,730
Pumped Storage Project	DCF				13,084
Green Hydrogen Project	P/B		2,100	2.0X	4,200
Solapur Transmission Project	DCF				177
Torrent Power PGCIL JV	DCF				270
C. Debt					(6,426)
D. Minority interest					(536)
E. Cash and Cash Equivalents					519
Equity Value (A+B+C+D+E)					69,406
Target Price (Per share)					1,377

Change in Estimates

	Old estimates			New estimates			Change (%)		
Year / Rs cr	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	30,607	32,327	34,781	28,474	29,724	31,497	-7	-8	-9
EBITDA	5,854	6,481	7,664	5,520	5,877	6,722	-6	-9	-12
Margins (%)	19.1	20.0	22.0	19.4	19.8	21.3	29bps	-23bps	-66bps
Adj. PAT	2,740	3,285	4,196	2,334	2,713	3,432	-15	-17	-18
EPS	54	65	83	46	54	68	-14	-17	-18



Consolidated Financials

Profit & Loss

Y.E March (Rs cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	25,694	27,183	28,474	29,724	31,497
% change	80	6	5	4	6
EBITDA	4,759	4,559	5,520	5,877	6,722
% change	33	(4)	21	6	14
Depreciation	1,281	1,378	1,728	1,819	1,868
EBIT	3,478	3,182	3,793	4,057	4,854
Interest	818	943	1,041	817	676
Other Income	382	344	361	376	399
PBT	3,041	2,583	3,112	3,617	4,576
% change	439	(15)	21	16	27
Tax	877	687	778	904	1,144
Tax Rate (%)	29	27	25	25	25
Reported PAT	2,165	1,896	2,334	2,713	3,432
Adj*	0	0	0	0	0
Adj PAT	2,165	1,896	2,334	2,713	3,432
% change	23	(12)	23	16	27
No. of shares (cr)	48	48	50	50	50
Adj EPS (Rs.)	45	39	46	54	68
% change	23	(12)	17	16	27
DPS (Rs.)	22	16	17	20	25

Cash Flow

Y.E March (Rs cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Depn.	3,832	3,462	4,062	4,532	5,300
Non-cash adj.	547	557	1,041	817	676
Changes in W.C	(924)	238	(235)	670	(178)
C.F – Operation	3,456	4,258	4,868	6,019	5,799
Capital exp.	(3,089)	(3,656)	(3,976)	(2,109)	(3,170)
Change in inv.	146	104	0	0	0
Other invest.CF	(273)	8	0	0	0
C.F – Investment	(3,216)	(3,544)	(3,976)	(2,109)	(3,170)
Issue of equity	0	0	3,500	0	0
Issue/repay debt	530	88	(3,394)	(2,946)	(1,353)
Dividends paid	(1,062)	(771)	(864)	(1,004)	(1,270)
Other finance.CF	191	132	0	0	0
C.F – Finance	(341)	(551)	(758)	(3,950)	(2,623)
Chg. in cash	(101)	163	133	(39)	6
Closing cash	344	419	552	513	519

Balance Sheet

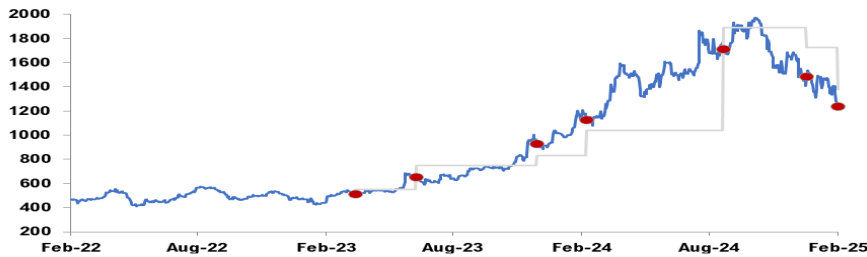
Y.E March (Rs cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	344	419	552	513	519
Accounts Receivable	2,246	2,191	2,496	2,117	2,503
Inventories	820	800	739	708	673
Other Cur. Assets	3,255	4,159	4,356	4,548	4,819
Investments	939	1,049	1,099	1,147	1,216
Gross Fixed Assets	30,770	34,635	38,494	40,489	43,498
Net Fixed Assets	18,342	20,913	22,948	23,029	24,066
CWIP	2,625	2,472	2,590	2,703	2,865
Intangible Assets	927	890	985	1,080	1,184
Def. Tax (Net)	39	66	70	73	77
Other Assets	374	433	454	474	502
Total Assets	29,910	33,392	36,289	36,392	38,422
Current Liabilities	5,072	5,943	6,072	6,404	6,742
Provisions	264	202	211	221	234
Debt Funds	10,496	11,585	9,232	7,102	6,426
Other Liabilities	2,591	3,065	3,206	3,388	3,581
Equity Capital	481	481	504	504	504
Reserves & Surplus	11,006	12,117	17,064	18,773	20,936
Shareholder's Fund	11,487	12,598	17,568	19,277	21,439
Total Liabilities	29,910	33,392	36,289	36,392	38,422
BVPS (Rs.)	239	262	349	383	425

Ratios

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	18.5	16.8	19.4	19.8	21.3
EBIT margin (%)	13.5	11.7	13.3	13.6	15.4
Net profit mgn.(%)	8.4	7.0	8.2	9.1	10.9
ROE (%)	20.2	15.7	15.5	14.7	16.9
ROCE (%)	8.9	10.7	9.2	10.7	11.2
W.C & Liquidity					
Receivables (days)	27	30	30	28	27
Inventory (days)	13	14	14	12	11
Payables (days)	29	35	37	37	38
Current ratio (x)	1.3	1.3	1.3	1.2	1.3
Quick ratio (x)	1.2	1.1	1.2	1.1	1.2
Turnover & Leverage					
Gross asset T.O (x)	0.9	0.8	0.8	0.8	0.8
Total asset T.O (x)	0.9	0.9	0.8	0.8	0.8
Int. coverage ratio (x)	3.0	2.5	2.7	3.7	5.4
Adj. debt/equity (x)	0.9	0.9	0.5	0.3	0.3
Valuation					
EV/Sales (x)	2.9	2.7	2.6	2.5	2.4
EV/EBITDA (x)	15.6	16.2	13.4	12.6	11.0
P/E (x)	27.5	31.4	26.7	23.0	18.2
P/BV (x)	5.2	4.7	3.6	3.2	2.9



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
3-Sep-24	ACCUMULATE	1,893
31-Dec-24	BUY	1,709
14-Feb-2025	ACCUMULATE	1,377

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

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.

Symbols definition:



Upgrade



No Change



Downgrade

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

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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