

POWER GRID CORPORATION

RESULT UPDATE

KEY DATA

Rating	REDUCE
Sector relative	Underperformer
Price (INR)	291
12 month price target (INR)	240
52 Week High/Low	366/247
Market cap (INR bn/USD bn)	2,706/30.9
Free float (%)	49.0
Avg. daily value traded (INR mn)	3,501.4

SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	51.34%	51.34%	51.34%
FII	26.50%	26.79%	28.11%
DII	18.49%	18.30%	16.99%
Pledge	0%	0%	0%

FINANCIALS

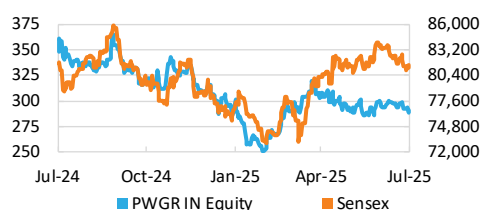
(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	4,23,912	4,14,315	4,41,429	4,78,626
EBITDA	3,67,548	3,52,765	3,74,234	4,05,066
Adjusted profit	1,59,420	1,50,730	1,53,977	1,65,596
Diluted EPS (INR)	17.1	16.2	16.6	17.8
EPS growth (%)	(22.0)	(5.5)	2.2	7.5
RoAE (%)	18.2	17.1	16.1	16.1
P/E (x)	17.0	18.0	17.6	16.4
EV/EBITDA (x)	9.6	10.9	10.7	10.2
Dividend yield (%)	3.9	3.1	2.7	2.9

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	4,41,429	4,78,626	-0.7%	-1.7%
EBITDA	3,74,234	4,05,066	-0.7%	-1.7%
Adjusted profit	1,53,977	1,65,596	-0.7%	-1.8%
Diluted EPS (INR)	16.6	17.8	-0.7%	-1.8%

PRICE PERFORMANCE



Capitalisation lags; TBCB drags growth

PGCIL's SA Q1FY26 PAT (INR36.5bn) grew ~7% YoY (in-line with our estimate) mainly led by other income (+70% YoY). Despite 3% YoY rise in regulated equity, a rising mix of *low-yield TBCB (estimated 12–13% RoE) weighed down operational earnings*. Consolidated PAT fell 2.5% YoY as capitalisation slowed to INR1.8bn on RoW issues. FY26E/27E/28E capex guidance retained at INR280/350/450bn. FY26 commissioning target is now INR220bn (Q2/Q3/Q4 guidance of ~INR30bn/~70bn/~80bn).

Despite rising capex, we find only ~5% EPS CAGR (FY25–27E) coupled with falling dividends as PGCIL enters capex phase with a higher mix of lower-yield TBCB. We find PGCIL expensive at 2.8x FY27E P/BV; retain 'REDUCE' with a revised TP of INR240 (earlier INR242).

SA PAT optically higher YoY; consolidated PAT down 2.5% YoY

Standalone (SA) PAT grew 7% YoY inflated by higher other income of INR13.3bn. (+70% YoY), whereas *consolidated PAT remained sedate at INR36.3bn* (-2.5% YoY). Energy Efficiency Services Limited (EESL), a JV company, reported a loss of ~INR700mn and CSR expenses soared ~3x YoY to INR1.2bn, impacting consolidated PAT ([Exhibit 6](#)). Also smart metering expenses added to other expenses by INR1.3bn, along with income from prior periods inflating the base quarter. The Q1FY26 *implied core RoE is ~12% (versus ~13% in Q1FY25, [exhibit 2](#))* as the mix of lower-yield TBCB projects increased (12–13% RoE). Capitalisation in Q1FY26 fell 22% YoY to INR1.8bn, whereas capex grew 51% YoY at ~INR70bn (FY26 guidance: INR280bn). Land acquisitions and RoW issues exacerbated project-commissioning delays. Work-in-hand fell 4% QoQ to INR1.49tn and includes: i) INR91bn ongoing RTM, INR370bn pending RTM; ii) INR1tn under TBCB; and iii) INR26bn in data centre/smart metering.

Stock bakes in all positives, trading at peak valuations

PGCIL management estimates that ~INR3tn out of NEP plan (INR9.2tn) has been awarded, and *the balance INR6tn would be awarded by FY30E; this implies T&D capex cycle would last another five years*. We anticipate a further fall in dividends as it enters the capex cycle while commissioning is lagging. We remain cautious on PGCIL as even after high capex of INR350bn/450bn (FY27–28E), the benefits thereof would reflect in earnings growth only after FY30 given longer gestation period (HVDC) coupled with high base and new TBCB project-wins yielding lower RoEs.

We find PGCIL expensive at 2.8x FY27E P/BV with a dividend yield of only ~3% and likely further cuts in pay-outs in the future. Key variables to watch out for over the next 12–18 months: i) PGCIL's capitalisation share in TBCB (estimated ~85% in FY26 and 90% in FY27E); and ii) RoE in new TBCB wins.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	99,282	1,00,682	(1.4)	1,09,826	(9.6)
EBITDA	81,178	87,441	(7.2)	92,227	(12.0)
Adjusted Profit	36,532	34,122	7.1	43,362	(15.8)
Diluted EPS (INR)	3.9	3.7	7.1	4.7	(15.8)

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	4,23,912	4,14,315	4,41,429	4,78,626
Energy Cost	0	0	0	0
Employee costs	23,769	25,930	27,678	29,867
Other expenses	32,595	35,620	39,518	43,693
EBITDA	3,67,548	3,52,765	3,74,234	4,05,066
Depreciation	1,25,582	1,23,522	1,34,742	1,41,279
Less: Interest expense	90,469	94,793	1,05,125	1,15,588
Add: Other income	34,242	48,938	48,938	48,938
Profit before tax	1,85,740	1,83,388	1,83,306	1,97,138
Prov for tax	26,320	32,659	29,329	31,542
Less: Other adj	0	0	0	0
Reported profit	1,59,420	1,50,730	1,53,977	1,65,596
Less: Excp.item (net)	0	0	0	0
Adjusted profit	1,59,420	1,50,730	1,53,977	1,65,596
Diluted shares o/s	9,301	9,301	9,301	9,301
Adjusted diluted EPS	17.1	16.2	16.6	17.8
DPS (INR)	11.3	9.0	7.9	8.5
Tax rate (%)	14.2	17.8	16.0	16.0

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Transmission (% rev)	7.7	8.6	9.0	9.1
Employee cost (% rev)	5.6	6.3	6.3	6.2
Other exp (% rev)	0	0	0	0
EBITDA margin (%)	86.7	85.1	84.8	84.6
Net profit margin (%)	37.6	36.4	34.9	34.6
Revenue growth (% YoY)	(0.6)	(2.3)	6.5	8.4
EBITDA growth (% YoY)	(0.6)	(4.0)	6.1	8.2
Adj. profit growth (%)	(1.0)	3.6	3.6	3.6

Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	5.8	6.3	6.3	6.3
Repo rate (%)	5.5	5.0	5.0	5.0
USD/INR (average)	81.0	84.0	82.0	82.0
Capex (INR bn)	125.0	262.6	280.0	350.0
Commissioning (INR bn)	76.2	90.1	220.0	300.0
Reg Eq Cl (INR bn)	836.7	849.9	882.9	960.9
Telecom Rev (INR mn)	9,657.6	10,180.1	10,730.9	11,311.5
Telecom EBIT (INR mn)	5,921.7	6,391.2	6,888.2	7,414.3
Consulting Rev (INR mn)	6,342.6	7,692.8	9,231.4	11,077.6

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	17.0	18.0	17.6	16.4
Price/BV (x)	3.5	3.3	3.0	2.8
EV/EBITDA (x)	9.6	10.9	10.7	10.2
Dividend yield (%)	3.9	3.1	2.7	2.9

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	93,006	93,006	93,006	93,006
Reserves	7,75,665	8,29,151	8,97,619	9,71,253
Shareholders funds	8,68,671	9,22,157	9,90,625	10,64,259
Minority interest	0	0	0	0
Borrowings	12,34,486	13,09,650	14,93,672	15,88,672
Trade payables	2,44,174	3,33,598	2,76,147	3,02,302
Other liabs & prov	12,265	13,292	13,292	13,292
Total liabilities	24,54,214	26,78,094	28,73,133	30,67,923
Net block	16,27,005	15,36,349	16,21,607	17,80,328
Intangible assets	0	0	0	0
Capital WIP	95,812	1,21,669	1,93,129	2,43,129
Total fixed assets	17,22,817	16,58,017	18,14,736	20,23,457
Non current inv	93,417	1,13,142	1,13,142	1,13,142
Cash/cash equivalent	50,267	64,194	96,283	74,502
Sundry debtors	1,11,088	73,150	77,937	84,504
Loans & advances	2,19,530	3,69,655	3,69,655	3,69,655
Other assets	2,57,095	3,99,937	4,01,381	4,02,663
Total assets	24,54,214	26,78,094	28,73,133	30,67,923

Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	1,80,062	1,86,788	1,83,306	1,97,138
Add: Depreciation	1,26,014	1,23,522	1,34,742	1,41,279
Interest (net of tax)	0	0	1,05,125	1,15,588
Others	66,106	45,254	0	0
Less: Changes in WC	8,197	(12,133)	(63,682)	18,305
Operating cash flow	3,47,901	3,13,569	3,30,161	4,40,767
Less: Capex	(55,115)	(51,154)	(2,91,460)	(3,50,000)
Free cash flow	2,92,786	2,62,415	38,701	90,767

Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	18.2	17.1	16.1	16.1
RoCE (%)	11.5	10.3	9.6	9.9
Inventory days	147	137	134	133
Receivable days	112	81	62	62
Payable days	34	34	34	34
Working cap (% sales)	5.9	6.2	6.2	6.2
Gross debt/equity (x)	1.4	1.4	1.5	1.5
Net debt/equity (x)	3.4	3.7	4.0	3.9
Interest coverage (x)	2.7	2.4	2.3	2.3

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	(22.0)	(5.5)	2.2	7.5
RoE (%)	18.2	17.1	16.1	16.1
EBITDA growth (%)	(0.6)	(4.0)	6.1	8.2
Payout ratio (%)	65.6	55.5	47.5	47.5

POWER GRID CORPORATION

Exhibit 1: Quarterly financial snapshot (INR mn)

Particulars	Q1FY26	Q1FY25	% YoY	Q4FY25	% QoQ
Total operating income	99,282	1,00,682	-1.4%	1,09,826	-9.6%
Transmission expense	11,765	7,085	66.1%	9,956	18.2%
Gross profit	87,517	93,597	-6.5%	99,869	-12.4%
Salaries and wages	6,339	6,156	3.0%	7,642	-17.1%
EBITDA	81,178	87,441	-7.2%	92,227	-12.0%
Other income	13,287	7,822	69.9%	14,998	-11.4%
PBDIT	94,465	95,263	-0.8%	1,07,226	-11.9%
Depreciation	29,698	30,732	-3.4%	30,432	-2.4%
Interest	23,045	21,601	6.7%	25,875	-10.9%
PBT	41,723	42,930	-2.8%	50,919	-18.1%
Tax(including deferred tax)	7,333	8,198	-10.5%	8,063	-9.1%
Movement in regulatory deferral accounts	-	(610)	-100.0%	506	-100.0%
PAT (reported)	36,532	34,122	7.1%	43,362	-15.8%
Adj PAT	36,532	34,122	7.1%	43,362	-15.8%

Source: Company

Exhibit 2: Estimated core RoE weakening on rising mix of TBCB projects and subdued commissioning

Particulars (INR mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Closing regulated equity	8,01,956	8,05,175	8,08,046	8,22,854	8,29,814	8,34,872	8,40,224	8,49,896	8,55,296
Reg PAT (ex other Income)	29,827	31,341	32,979	30,569	27,473	27,564	26,289	30,613	25,239
RoE on Reg equity	14.9%	15.6%	16.3%	14.9%	13.2%	13.2%	12.5%	14.4%	11.8%

Source: Company, Nuvama Research

Exhibit 3: SotP valuation

	Comments	Multiple	Value	Per share value
Regulated equity	FY27 Reg Equity	2.0	19,70,073	212
CWIP	FY27 equity in CWIP	1.0	72,939	8
FY25 Cash and investments		1.0	1,77,336	19
InVit stake retained (15 %)	20% Discount to CMP	0.8	9,983	1
			Target price	240

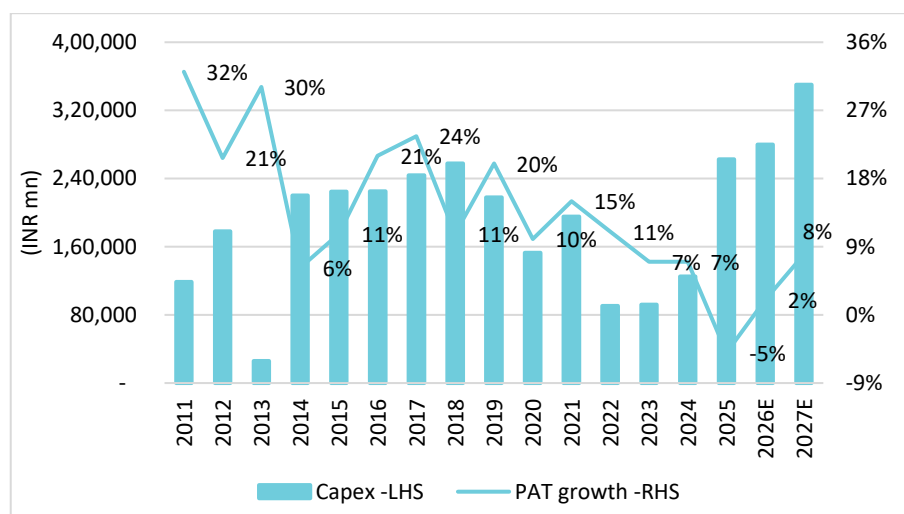
Source: Company, Nuvama Research

Exhibit 4: Target price sensitivity of core RoE to long-term growth rate

		Core RoE		
		13.5%	15.0%	16.00%
Long term Growth (g)	240			
	2%	153	169	180
	4%	158	177	190
	6%	164	190	207
	8%	183	225	253
	10%	234	322	381

Source: Nuvama Research

Exhibit 5: Subdued adjusted PAT growth amid high capex cycle



Source: Company, Nuvama Research

Exhibit 6: Other key financial information

Description (INR mn)	Q1FY26	Q1FY25
Income for previous periods (Consol.)	80	720
Int. on differential tariff	2,570	1,650
Int. from Subsidiaries & JVs	7,400	4,400
Incentive (Consol)	1,180	1,120
Dividend from JVs	400	80
Dividend from Subsidiaries	3,050	510
Dividend from Associates/Others	130	60
CSR Expenses	1,180	390
FERV (Gross Block)	440	50
Equity in TBCB- Operational	46,710	39,550
Equity in TBCB- U/ Constn	25,460	4,730
Short Term Loan	28,590	19,860

Source: Company

Company Description

PGCIL is a Maharatna CPSU and India's largest electric power transmission company. GoI holds a large stake in the company. PGCIL was incorporated in 1989 to set up extra-high voltage alternating current and high-voltage direct current (HVDC) transmission lines.

PGCIL commenced operations in 1992 by consolidating transmission assets of NTPC, NHPC, NEEPC, NPCIL, Tehri Hydro Development Corporation, and Neyveli Lignite. In 1994, the assets and communication systems of regional load dispatch centre (RLDC) were also transferred to the company with an objective to enhance grid management. Due to the central transmission utility status, PGCIL is mandated to undertake and operate inter-state transmission systems efficiently, provide for open access, and undertake various functions of RLDC. Currently PGCIL is developing various transmission assets under the Green Energy Corridor scheme.

Investment Theme

Renewable Opportunity: Concentration of renewable energy capacity in select states will require developing transmission corridors and investment in grid infrastructure (CEA estimates INR 9.2tn transmission capex over FY22-32E). Development of Green Energy Corridors should help PGCIL gain transmission projects.

Notably, PGCIL's estimated cash flow of >INR70bn a year (after dividend) can support annual capex of >INR300bn. Hence, we believe PGCIL can maintain a market share of ~70%. However, most of this is already baked into the CMP given high valuations of 2.8x P/BV on FY27E basis.

However, PGCIL's PAT CAGR is likely to be ~5% over FY25-27E given high base and gestation period between winning TBCB bids (FY24-25), constructing them (FY26) and commissioning by FY27. Additionally the large HVDC projects (2 under bidding currently) will have longer construction period of 4-5 years further delaying EPS growth. We find PGCIL expensive at 2.8x FY27E P/BV despite ~3% dividend yield that notably has fallen from FY24.

Key Risks

Moderation in incremental order book: Going forward any moderation in incremental project awarding can pose a risk to topline growth.

Shift towards TBCB route: Higher project awarding through competitive bidding vs nomination basis earlier will increase competition. In addition, private participation could drive down the IRRs for PGCIL.

Additional Data

Management

Chairman & MD	Shri Ravindra Kumar Tyagi
Director (Finance)	Shri G Ravishankar
Director (Personnel)	Dr Yatindra Dwivedi
Director (Operations)	Shri Naveen Srivastava
Auditor	S Ramanand Aiyar & Co

Holdings – Top 10*

% Holding		% Holding	
Nippon Life Ind	2.88	SBI funds Manag	2.17
Life Insurance	2.76	Blackrock Inc	1.44
PPFAS Asset Man	2.46	ICICI Prudentia	1.43
Republic of Sin	2.39	HDFC Asset Mana	1.09
Vanguard Inc	2.30	Schroders PLC	1.08

*Latest public data

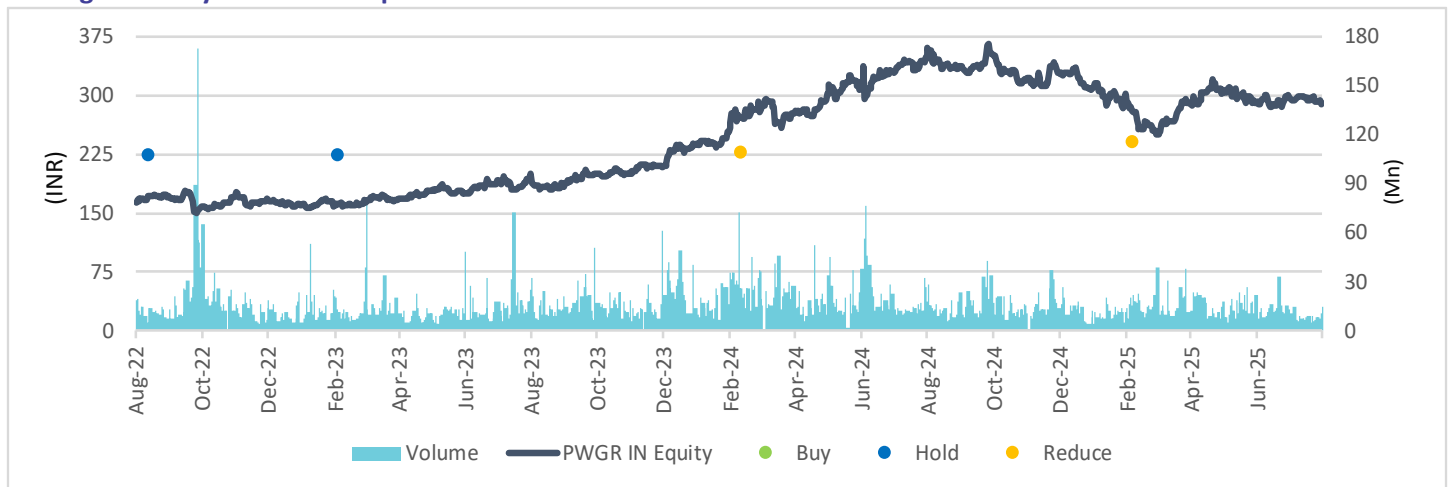
Recent Company Research

Date	Title	Price	Reco
21-May-25	Capitalisation slips on RoW issues ; <i>Result Update</i>	298	Reduce
05-Feb-25	O&M hit continues – A new normal; <i>Result Update</i>	286	Reduce
08-Nov-24	O&M hits Q2; comm pickup by FY27–28; <i>Result Update</i>	316	Reduce

Recent Sector Research

Date	Name of Co./Sector	Title
30-Jul-25	CESC	Malegaon losses bleed; RE growth key; <i>Result Update</i>
29-Jul-25	NTPC	Robust core RoE despite weak PLF; <i>Result Update</i>
28-Jul-25	ACME Solar Holdings	On-time capacity addition fuels growth ; <i>Result Update</i>

Rating and Daily Volume Interpretation



Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	66
Reduce	<-5%	36

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