CMP: ₹270 | Target ₹ 325 (20%) | Target Period: 12 months | BUY

August 7, 2026

Capitalization momentum to accelerate earnings growth ahead ...

About the stock: PowerGrid is India's largest power transmission utility with transmission lines of 186,595 circuit km (ckm) and 6,34,516 MVA of transformation capacity.

- Powergrid transmits ~45% of the total power generated in India on its transmission network & owns ~84% of Inter-State transmission system.
- It also undertakes transmission related consultancy to more than 150 domestic clients and owns & operates ~100,000 km of telecom network.

Q1FY27 performance: Power Grid's work-in-hand remained robust at ~₹1.75 lakh crore, providing healthy multi-year revenue visibility. The company incurred capex of ₹7,765 crore in Q1FY27 (vs. ₹6,981 crore in Q1FY26), while capitalisation improved to ₹5,277 crore (vs. ₹1,683 crore) indicating faster project commissioning and supporting future RAB-led earnings growth.

Investment Rationale:

- **Earnings growth to accelerate with higher capitalization and easing execution bottlenecks:** Management reiterated FY27 capitalization guidance of ₹30,000 crore, with Q1FY27 capitalization at ₹5,277 crore and stronger execution expected in the coming quarters. While Q1 earnings were impacted by a ₹560 crore regulatory timing drag, the company indicated underlying profitability remained healthy. Additionally, easing transformer/GIS supply constraints, revised execution timelines and emerging opportunities in BESS and HVDC are expected to support sustained earnings growth and improve return ratios over the medium term.
- **Strong transmission capex cycle provides multi-year growth visibility:** Power Grid remains a key beneficiary of India's transmission infrastructure build-out, supported by a ₹1.75 lakh crore work-in-hand, ₹1.19 lakh crore bidding pipeline, and a long-term opportunity exceeding ₹15 lakh crore. The company continues to strengthen its market leadership with ~47% cumulative market share in ISTS-TBCB projects and has secured 6 out of 19 TBCB projects bid in FY27 (till July), representing an annual tariff of over ₹2,200 crore. Management expects the ₹7.9 lakh crore National Electricity Plan transmission capex to be awarded over the next 3–4 years, driven by renewable energy integration, data centres, green hydrogen and hydro evacuation, ensuring healthy order inflows and sustained asset capitalization.
- **Rating and Target Price:** We expect revenues and PAT to grow at CAGR of 9.0% and 2.6% over FY26-FY28E. We recommend **BUY** on **POWERGRID** with a target price of **₹325 per share (based on 17x FY28E EPS).**

पावरग्रिड POWERGRID

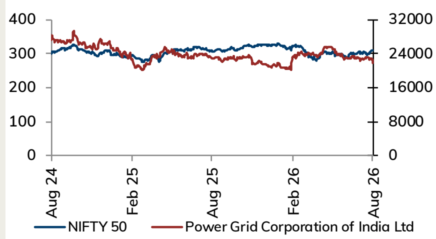
Particulars

Particulars	Rs. (in crore)
Market Capitalisation	252,372
Total Debt (FY26)	148,009
Cash and Inv. (FY26)	8,920
Enterprise Value	391,461
52-week H/L (Rs.)	325/250
Equity capital	9,301
Face value (Rs.)	10

Shareholding pattern

%	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	51.3	51.3	51.3	51.3
FII	25.7	24.7	25.0	24.3
DII	19.3	20.2	20.1	20.6
Public	3.7	3.7	3.6	3.7

Price Chart



Key risks

(i) Slowdown in power demand;

(ii)) Delay in execution of renewable capacity.

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Key Financial Summary

Particulars (₹ crore)	FY24	FY25	FY26	2-year CAGR (FY24-26)	FY27E	FY28E	2-year CAGR (FY26-FY28E)
Revenues	43280	42342	41656	NA	45072	49463	9.0%
EBITDA	37915	36187	33799	NA	39110	43113	12.9%
EBITDA Margin (%)	87.6	85.5	81.1		86.8	87.2	
Net Profit	16720	15703	16673	NA	16144	17567	2.6%
EPS (₹)	18.0	16.9	17.9		17.3	18.9	
P/E (x)	15.0	16.0	15.1		15.6	14.3	
Price / Book (x)	2.9	2.7	2.5		2.4	2.2	
RoCE (%)	12.1	12.1	11.0		10.5	10.6	
RoE (%)	19.1	16.8	16.6		15.1	15.4	

Source: Company, ICICI Direct Research

Q1FY27 Earnings call highlights

- **Financial Performance**:
    - Power Grid Corporation of India (PGCIL) reported muted Q1FY27 performance, with revenue from operations declining 1.3% YoY to ₹9,795 crore. EBITDA remained broadly flat at ₹8,111 crore (-0.1% YoY), although EBITDA margin expanded 104 bps YoY to 82.8%. Adjusted PAT declined 6.6% YoY to ₹3,411 crore, reflecting lower regulatory income and a higher effective tax rate.
    - Segment-wise, Transmission revenue declined 1.8% YoY to ₹9,704 crore, with EBIT margin contracting to 54.8% from 56.2% in Q1FY26. Consultancy revenue increased 14.5% YoY to ₹227 crore, while EBIT margin declined to 0.4% from 1.2% in the corresponding quarter last year.
    - Profitability was impacted by a ₹560 crore regulatory drag, comprising ₹330 crore of lower depreciation recovery and ₹230 crore of lower interest income arising from the timing difference between tariff petitions and regulatory orders. Excluding these adjustments, management indicated that PAT would have increased by ₹247 crore during the quarter.
- **Order Book & Growth Outlook:**
    - Works-in-hand remained robust at ~₹1.75 lakh crore, providing strong multi-year revenue visibility.
    - Order book mix comprises 83% TBCB projects (₹1.46 lakh crore), 14% RTM (₹25,168 crore) and 3% other businesses, including smart metering, data centres, cross-border projects, international projects and BESS.
    - Bidding pipeline stands at over ₹1.19 lakh crore, including projects under bidding and those yet to be floated, offering healthy order inflow visibility over the next few quarters.
    - Management continues to see a long-term transmission opportunity exceeding ₹15 lakh crore, supported by the CEA's 900+ GW non-fossil capacity plan, Brahmaputra basin hydro development and the One Sun One World One Grid (OSOWOG) initiative.
- **Business & Execution:**
    - Commissioned 1,635 ckm of transmission lines and 10,500 MVA of transformation capacity during Q1FY27, with additional key transmission lines and the 765/400 kV Koppal-II substation commissioned after quarter-end, indicating a healthy execution pipeline.
    - POWERGRID won 6 TBCB projects (ISTS + InSTS) out of 19 projects bid till July 2026, with an annual tariff exceeding ₹2,200 crore.
    - Company secured India's first SynCon (Synchronous Condenser) project under TBCB, marking entry into a new asset class. Management believes SynCon projects will become increasingly important for renewable energy integration by enhancing grid strength, inertia and reactive power support.
- **Capex & Capitalisation:**
    - FY27 capex guidance maintained at ₹37,000 crore, while capitalisation guidance remains ₹30,000 crore, reflecting management's confidence in project execution despite an elevated base.

- **Management Commentary & Outlook:**
  - Management highlighted that the National Electricity Plan envisages 900+ GW of non-fossil generation capacity by FY36, requiring an estimated ₹7.9 lakh crore of transmission investment. Most of these projects are expected to be bid over the next 3–4 years, supporting sustained ordering opportunities for transmission developers.
  - Emerging demand from data centres green hydrogen, green ammonia and hydro projects is expected to further expand transmission investments.
  - Management indicated that equipment availability has improved materially, with transformer and GIS supply constraints easing due to capacity additions by OEMs. Equipment prices are stabilising, which is expected to improve project costs, procurement timelines and execution efficiency over the medium term.
  - Transmission project execution timelines have been revised to 26–30 months for 765 kV double-circuit transmission lines, compared with the earlier 18-month target, reflecting a more practical execution schedule and reducing project execution risks.

Financial summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Total operating Income	**42,342**	**41,656**	**45,072**	**49,463**
Growth (%)	-2	-2	8	10
Employee Expenses	2,593	2,644	2,562	2,602
Other expenses	3,562	5,213	3,400	3,748
Total Operating Expenditure	6,155	7,857	5,962	6,350
EBITDA	36,187	33,799	39,110	43,113
Growth (%)	-5	-7	16	10
Depreciation	12,352	12,330	16,813	18,352
Interest	9,479	10,050	9,616	10,426
Other Income	4,894	6,092	6,092	6,092
PBT	19,250	17,510	18,772	20,426
Others	0	0	0	0
Total Tax	2,711	2,155	2,722	3,266
PAT	**15,703**	**16,673**	**16,144**	**17,567**
Growth (%)	-6	6	-3	9
EPS (Rs.)	**16.9**	**17.9**	**17.3**	**18.9**

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit Before Tax	18,969	14,687	18,772	20,426
Add: Depreciation	12,352	12,330	16,813	18,352
(Inc)/dec in Current Assets	(949)	(3,546)	(1,969)	(6,626)
Inc/(dec) in CL and Provisions	(1,171)	(1,937)	8,202	9,355
Others	7,193	11,440	7,777	8,425
CF from operating activities	**36,394**	**32,975**	**49,595**	**49,932**
(Inc)/dec in Fixed Assets	(20,140)	(25,822)	(31,995)	(38,167)
(Inc)/dec in Disposals	20	19	18	17
Others	1	2	3	3
CF from investing activities	**(20119)**	**(25801)**	**(31973)**	**(38147)**
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	2,012	6,451	12,790	13,352
Dividend paid & dividend tax	(9,422)	(10,003)	(9,686)	(10,540)
Inc/(dec) in Sec. premium	1	2	3	3
Others	(9,479)	(10,050)	(9,616)	(10,426)
CF from financing activities	**(16888)**	**(13601)**	**(6509)**	**(7611)**
Net Cash flow	4,683	(6,028)	11,078	(13,597)
Opening Cash	457	2,756	8,584	6,247
Closing Cash	**2,756**	**8,584**	**6,247**	**4,775**

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Liabilities				
Equity Capital	9,311	9,311	9,311	9,311
Reserve and Surplus	84,424	91,093	97,551	104,577
Total Shareholders' funds	93,735	100,404	106,861	113,888
Total Debt	142,141	148,591	161,382	174,734
AAD	0	0	0	0
Minority Interest / Others	3,827	3,827	3,827	3,827
Total Liabilities	**239703**	**252822**	**272070**	**292449**
Assets				
Gross Block	350,254	375,076	406,070	443,237
Less: Acc Depreciation	135,395	147,725	164,538	182,890
Net Block	214,859	227,351	241,533	260,347
Capital WIP	60,810	61,810	62,810	63,810
Total Fixed Assets	275,669	289,161	304,343	324,158
Investments	1,293	1,273	1,255	1,238
Inventory	1,893	2,715	1,736	1,875
Debtors	9,189	14,884	11,540	10,586
Loans and Advances	10,811	11,399	6,492	6,351
Other Current Assets	4,234	4,166	4,507	4,946
Cash	2,756	8,584	6,247	4,775
Total Current Assets	28,884	41,747	30,522	28,533
Current liabilities	44,499	44,870	44,116	43,247
Other Liabilities	9,973	14,595	9,520	10,494
Total Current Liabilities	54,472	59,465	53,636	53,742
Net Current Assets	(30,106)	(22,236)	(27,632)	(29,726)
Application of Funds	**239703**	**252822**	**272070**	**292449**

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per share data (Rs.)				
EPS	16.9	17.9	17.3	18.9
Cash EPS	40.2	41.6	47.2	51.5
BV	100.7	107.8	114.8	122.3
DPS	14.7	13.6	14.4	13.5
Cash Per Share	4.0	12.3	9.0	6.8
Operating Ratios (%)				
EBITDA Margin	85.5	81.1	86.8	87.2
PBT / Total Operating income	45.5	42.0	41.6	41.3
PAT Margin	37.1	40.0	35.8	35.5
Debtor days	79.2	130.4	93.5	78.1
Return Ratios (%)				
RoE	16.8	16.6	15.1	15.4
RoCE	12.2	11.1	10.6	10.7
RoIC	12.3	11.5	10.8	10.9
Valuation Ratios (x)				
P/E	16.0	15.1	15.6	14.3
EV / EBITDA	10.8	11.6	10.4	9.8
EV / Net Sales	9.2	9.4	9.0	8.5
Market Cap / Sales	5.9	6.0	5.6	5.1
Price to Book Value	2.7	2.5	2.4	2.2
Solvency Ratios				
Debt/EBITDA	3.9	4.4	4.1	4.1
Debt / Equity	1.5	1.5	1.5	1.5
Current Ratio	0.5	0.7	0.6	0.5
Quick Ratio	0.1	0.1	0.1	0.1

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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