

Monday, 11 May 2026

Thematic Vision

POWER



Top Power Picks - May 2026

Sl.No	Company Name	Market Cap	CMP as on 07th May 2026	Target	Upside Potential
1	NTPC	Large Cap	400.35	466.00	16.40%
2	Power Grid	Large Cap	313.80	363.00	15.68%
3	Torrent Power	Mid Cap	1712.50	1969.00	14.98%

Holding Period: 9-12 Months

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	NTPC	
	POWERGRID	
	TORRENTPOWER	

Power Sector: Overview

India's appetite for electricity is deeply tied to its economic growth. India is the third-largest producer and consumer of electricity worldwide, with an installed power capacity of 521 GW as of January 2026 which is a 109% increase from 249 GW in FY14. A record 52.5 GW of capacity was added in FY26 up to January 2026, the highest ever single year addition, of which 43 GW came from renewable energy sources. Renewable energy sources now account for over 50% of India's installed capacity, a milestone achieved five years ahead of India's 2030 NDC target. Also the peak energy demand has increased by 15.7% from 216 GW in FY23 to 250 GW in FY25. Per capita electricity consumption in India has also increased to 1460 kWh in 2024-25, marking a 52.6% increase (503 kWh) from 957 kWh in 2013-14. Energy shortages at the national level have been reduced to 0.03% in FY26, a major improvement from 4.2% in FY14.

India consumed 1,694 Billion Units (BU) of electricity in FY25, which is an increase of 33% over FY21, translating into a 5-Year CAGR of 7.4%. India's energy requirement is expected to grow at an CAGR of 5.33% over 2026-2027 to 2031 to 2032 according to 20th EPS Report by CEA.

As per CEA's (Central Electricity Authority) National Electricity Plan, the likely investment requirement for India's power sector stands at approximately ₹42.76 lakh crore over FY22-32, comprising an estimated ₹33.6 lakh crore for generation and ₹9.16 lakh crore for transmission. *India's power sector is not just a growth story, it is a structural transformation playing out in real time, and increasing demand with shift towards renewable energy sources will create a long term investment opportunity.*

Quarterly Earnings Review

S.No.	NSE Symbol	Market Cap (Rs.Cr.)	Sales (Q3FY26)	Sales (Q3FY25)	Sales Growth (%)	EBITDA (Q3FY26)	EBITDA (Q3FY25)	EBITDA Growth (%)	PAT (Q3FY26)	PAT (Q3FY25)	PAT Growth (%)
1	NTPC	3,88,206.18	45,846.00	45,069.00	2%	16,308.00	14,327.00	14%	5,597.00	5,170.00	8%
2	ADANIPOWER*	4,43,914.51	14,223.00	14,237.00	0%	6,498.00	5,111.00	27%	4,271.00	2,599.00	64%
3	POWERGRID	2,91,852.83	12,395.00	11,233.00	10%	11,070.00	10,085.00	10%	4,185.00	3,862.00	8%
4	ADANIGREEN*	2,24,815.50	3,502.00	3,073.00	14%	2,999.00	2,441.00	23%	514.00	383.00	34%
5	TATAPOWER	1,40,366.73	13,948.00	15,391.00	-9%	4,111.00	3,668.00	12%	1,194.00	1,188.00	1%
6	ADANIENSOL*	1,66,629.55	7,443.00	6,375.00	17%	2,372.00	2,262.00	5%	723.00	714.00	1%
7	JSWENERGY	1,00,586.69	4,082.00	2,439.00	67%	2,141.00	1,144.00	87%	529.00	157.00	237%
8	NTPCGREEN	92,066.08	653.00	505.00	29%	566.00	500.00	13%	17.00	66.00	-74%
9	NHPC	81,947.35	2,221.00	2,287.00	-3%	1,661.00	1,380.00	20%	321.00	330.00	-3%
10	TORNTPOWER	86,292.88	6,778.00	6,499.00	4%	1,472.00	1,284.00	15%	655.00	489.00	34%
11	NLCINDIA	45,578.86	4,443.00	4,411.00	1%	1,708.00	1,524.00	12%	724.00	696.00	4%
12	SJVN	31,395.17	1,082.00	671.00	61%	817.00	555.00	47%	224.00	149.00	50%
13	CESC*	24,819.13	4,096.00	3,877.00	6%	1,274.00	1,105.00	15%	459.00	385.00	19%

*Q4FY26 & Q4FY25 results

Key Observations:

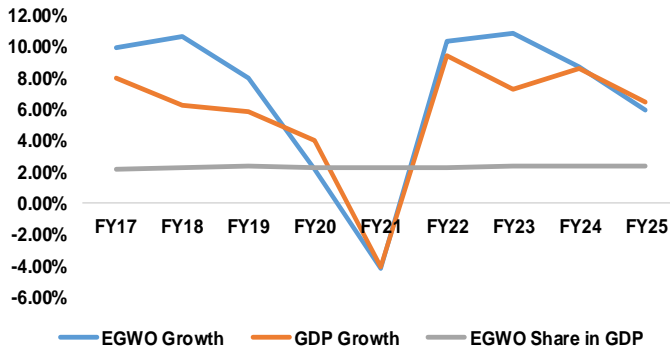
The power sector delivered a strong performance in Q3FY26, with renewable energy-focused companies emerging as key growth drivers. The analysis covers 13 companies — comprising around 93% of India’s publicly listed power sector universe — including 6 large-cap, 6 mid-cap, and 1 small-cap company, excluding smaller listed players. Power generation companies continued to outperform, particularly those with higher renewable energy exposure, which reported the strongest earnings momentum during the quarter.

On an aggregate basis, the 13 companies reported combined revenue of ₹1,20,712 crores in Q3FY26, reflecting a 4% YoY increase. Operational performance remained significantly stronger, with aggregate EBITDA rising 17% YoY to ₹52,997 crores, while EBITDA margins expanded to nearly 43.9%, highlighting the sector’s strong operating leverage as capacity utilisation improved. Net profitability also remained robust, with aggregate PAT growing nearly 20% YoY to ₹19,413 crores, indicating effective cost management despite ongoing capacity expansion.

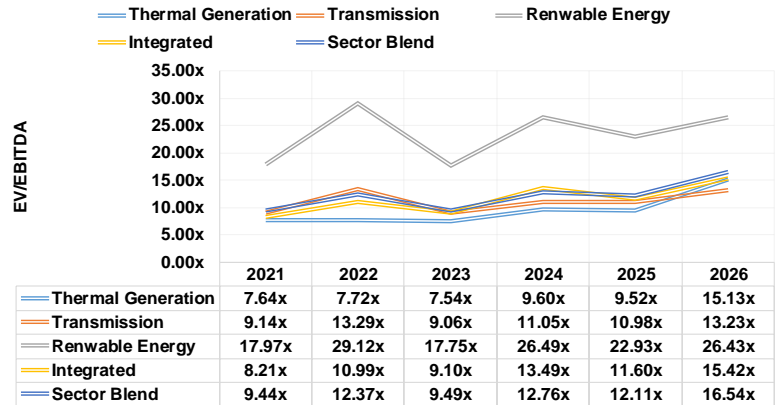
Among individual companies, players with higher renewable energy exposure posted sales growth of up to 67% and PAT growth of as much as 237%, driven by revenue contribution from newly commissioned capacities. In contrast, companies with a larger share of regulated or distribution-linked businesses witnessed relatively muted revenue growth, although their EBITDA still expanded at a healthy double-digit pace, reflecting improving operational efficiencies. **Overall, the sector continues to benefit from rising power demand, improving utilisation levels, and expanding renewable capacity, with renewable-focused companies leading the current earnings upcycle. NTPC, Power Grid Corporation of India, and Torrent Power also continue to look well placed, supported by strong fundamentals and a healthy capex pipeline.**

Power Sector – Outlook

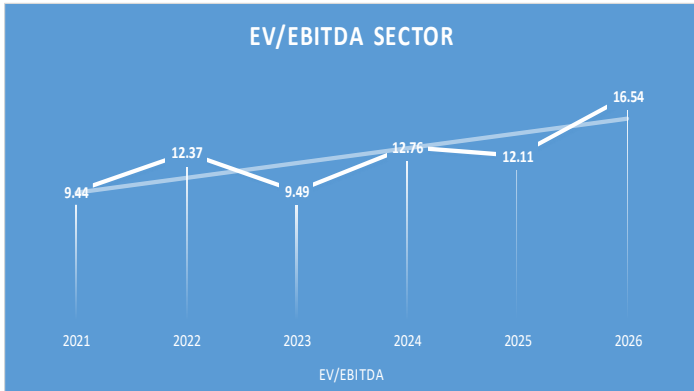
GDP vs EGWO



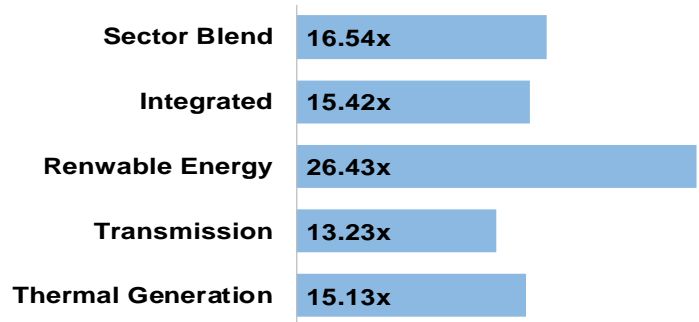
INDUSTRY EV/EBITDA



EV/EBITDA SECTOR



EV/EBITDA



India’s power sector continues to offer strong long-term growth visibility, backed by planned investments of nearly ₹42.76 lakh crore through FY32 and a target to more than double installed capacity to 1,121 GW by FY36. Energy demand is expected to grow at a 5.33% CAGR, while government initiatives such as the ₹3.04 lakh crore RDSS scheme, ₹75,021 crore PM Surya Ghar Yojana, ₹34,422 crore PM-KUSUM, and PLI schemes for solar and battery manufacturing continue to provide strong policy support for the sector.

Demand fundamentals also remain highly favourable. India’s per capita electricity consumption has increased to 1,460 kWh in FY25 from 1,331 kWh in FY23, but still remains well below the global average of around 3,670 kWh, indicating significant growth potential ahead. Peak demand for FY32 has already been revised upward to 458 GW from 384 GW earlier, driven by rising air-conditioner usage, EV adoption, industrial growth, and increasing demand from data centres and AI infrastructure.

The renewable energy transition is emerging as a major earnings driver for the sector. Renewables have already crossed 50% of India’s installed power capacity ahead of target, while renewable-focused companies reported strong Q3FY26 earnings growth, with sales rising as much as 67% and PAT growth reaching up to 237% among select players. At an aggregate level, 13 major listed power companies reported combined revenue of ₹1.21 lakh crore in Q3FY26, while EBITDA and PAT grew 17% and 20% YoY respectively, highlighting strong operating leverage across the sector.

The broader utility segment has consistently outperformed the overall economy, growing at an 8.3% CAGR during FY17–25 versus India’s GDP growth of around 6.9%. Distribution reforms and RDSS-led infrastructure spending are improving the financial health of DISCOMs, while India is also expanding its regional power presence through cross-border transmission and renewable projects. **Overall, rising demand, policy support, renewable expansion, and improving profitability continue to strengthen the sector’s long-term outlook.**

Key Rationale:

Generation

- **Record Capacity Addition & Policy-Led Growth:** India's installed power capacity reached ~521 GW (Jan 2026), with a record ~52.5 GW added in FY26 till Jan- of which ~40 GW from renewables, driven by faster project commissioning and rooftop solar uptake under PM Surya Ghar. Translates directly into order inflows, asset capitalization, and earnings visibility for generation and EPC-linked players.
- **Renewable Milestone & Thermal Complementarity:** Non-fossil capacity has crossed 50% of total installed capacity for the first time (~263 GW non-fossil vs. ~257 GW thermal). However, with solar/wind CUF at <40% vs. thermal at >40%, coal remains critical for round-the-clock reliability, creating a dual opportunity of continued RE capex alongside stable thermal utilization, supporting both growth and earnings stability.
- **Peak Demand Record & Demand-Supply Tightness:** India's peak power demand hit a record 256.1 GW in April 2026, with consumption rising 8.9% YoY (Apr 1-27) amplified by heatwave-driven cooling load and gas shortages. This demand-supply tightness supports higher utilization and margin expansion across generation companies, particularly thermal.
- **CEA Adequacy Plan & Long-Term Capex Cycle:** CEA's adequacy plan projects installed capacity rising to 1,121 GW by FY36: 509 GW solar, 315 GW coal, 22 GW nuclear, and 174 GW / 888 GWh of storage. The mix balances aggressive RE expansion with firm thermal and nuclear capacity for 24x7 supply, anchoring a multi-year capex cycle across generation, storage, and grid balancing assets.

Transmission

- **National Electricity Plan & Long-Term Capex Cycle:** The NEP 2023-32 targets transmission expansion from 4.85 to 6.48 lakh ckm and transformation capacity from 1,251 to 2,342 GVA, backed by a ₹9.15 lakh cr capex pipeline. Power Grid's capex alone is set to ramp to ₹45,000 cr by FY28 on a ₹2 lakh cr orderbook - providing multi-year visibility for T&D players. One of the most visible multi-year capex themes in Indian power.
- **Network Expansion & Execution Challenges:** India's transmission network grew from 341,551 ckm (FY16) to 501,766 ckm (FY26) at 3.92% CAGR, but annual additions collapsed from 28,114 ckm (FY16) to 7,392 ckm (FY26) (-12.5% CAGR) due to RoW, forest clearance and litigation delays. 263 GW of stranded RE capacity awaits evacuation. Quarterly additions, resolution of RoW and clearance bottlenecks is the trigger for execution to normalize. Any pickup in quarterly commissioning is a clear re-rating trigger.
- **Transmission Efficiency & Operational Standards:** India's transmission losses are low at 3.12-4.24%, with Power Grid running at 99.84% availability and 0.21 trippings/line (Dec 2025) - best-in-class globally. NEP plans 9 HVDC corridors with 33.25 GW capacity by FY32 for long-distance RE evacuation, which should further reduce losses and strengthen inter-regional transfer.
- **Grid Backbone Build-Out & Near-Term Visibility:** Network crossed 5 lakh ckm in Jan 2026 (1,407 GVA, 120,340 MW inter-regional capacity), with 67,500 ckm and 533 GVA already in execution, including key RE evacuation lines like Bhadla II-Sikar II (1,100 MW). In-execution pipeline supports near-term order inflows and revenue visibility, with NEP targets of 6.48 lakh ckm and 2,342 GVA by FY32 driving the long-term cycle.

Distribution

- **Sector Structure & Reform Momentum:** India's distribution sector has 73 DISCOMs (42 state, 12 private, 11 power departments) - 29 profitable, 32 loss-making, 3 at breakeven. Decades of politically driven tariff suppression and weak governance have kept the segment fragmented. The Revamped Distribution Sector Scheme (RDSS) with ₹3.04 lakh cr outlay is restructuring operations; with ~40% of DISCOMs already profitable, a gradual sector re-rating is underway. Benefits private and franchise distribution players gaining share.
- **Private vs. State Efficiency Gap & Privatization Opportunity:** State DISCOMs run AT&C losses of 18.11% vs. just 5.91% for Tata Power Delhi and 6.12% for Adani Electricity Mumbai, a stark efficiency gap driven by governance, metering and operational discipline. The Bhiwandi turnaround under Torrent Power (AT&C losses fell from 58% to <10%) remains the proof-of-concept for the privatization model. MoP continues to push franchise and privatization frameworks, expanding private sector participation.
- **First-Ever Sector Profitability & Structural Turnaround:** The sector turned profitable for the first time in FY25 - ₹2,701 cr profit (vs. ₹27,022 cr loss in FY24), with the cost-revenue gap flipping from -₹0.16/kWh to +₹0.03/kWh. Much of this came from the Late Payment Surcharge (LPS) Rules 2022, which restructured unpaid dues into 10-year loans via PFC/REC - a debt reorganisation more than operational improvement. As RDSS reforms deepen and LPS loans get serviced, profitability should become more genuine and self-sustaining. FY25 marks a structural turning point.

Key Risks:

- **Geopolitical Risk (Iran Conflict):** Direct exposure is limited - Indian power players are domestically focused. Indirect risks operate via three channels: higher global coal/LNG prices (fuel cost pressure for thermal and gas-based gencos), higher logistics/equipment costs (RE project delays), and rupee depreciation (foreign debt servicing). Most exposed: gas-based gencos and import-heavy RE developers; least exposed: regulated utilities with domestic coal linkages.
- **DISCOM Risk:** Poor DISCOM financial health remains the biggest sector risk - late payments to generators and transmission companies strain cash flows across the value chain.
- **Leverage Risk:** Power projects are heavily debt-funded; any disruption in cash flows (payment delays, fuel cost spikes, operational issues) can stress debt servicing, especially for RE projects with fixed bid tariffs.
- **Execution Risk:** Meeting India's capacity and transmission targets requires an unprecedented pace of construction over the next 7 years. Land acquisition, environmental clearances, RoW issues and supply chain bottlenecks can delay project completion and revenue.
- **RE Curtailment Risk:** RE capacity addition is outpacing transmission build-out; when evacuation infrastructure is unavailable, generators are forced to reduce the output, often with limited compensation.

- **Tariff Compression Risk:** Falling solar tariffs through competitive bidding have compressed developer margins. Any unexpected rise in module, steel or financing costs can erode IRRs on already-bid projects.
- **Regulatory Risk:** Changes in tariff norms, RoE caps, or state-level policies (net metering, open access) can directly impact profitability and create investor uncertainty.
- **Climate & Weather Risk:** Stricter emission norms raise compliance costs for thermal generators; RE output is weather-dependent, making generation and revenue inherently variable.
- **Interest Rate Risk:** Heavy debt dependence makes the sector sensitive to rate hikes - funding costs rise, profitability compresses, and new project viability weakens, particularly for long-gestation RE projects.
- **Demand Risk:** Power demand tracks GDP growth (historically more stable than broader economy). Bigger structural concern: gradual shift from thermal to cheaper RE driven by policy mandates.

Power Stocks Under Coverage

Sl.No	Company Name	Market Cap	CMP as on 07th May 2026	Target	Upside Potential
1	NTPC	Large Cap	400.35	466.00	16.40%
2	Power Grid	Large Cap	313.80	363.00	15.68%
3	Torrent Power	Mid Cap	1712.50	1969.00	14.98%

1. NTPC Limited

Cmp: 400.35 as on 07th May 2026

Rating: Buy

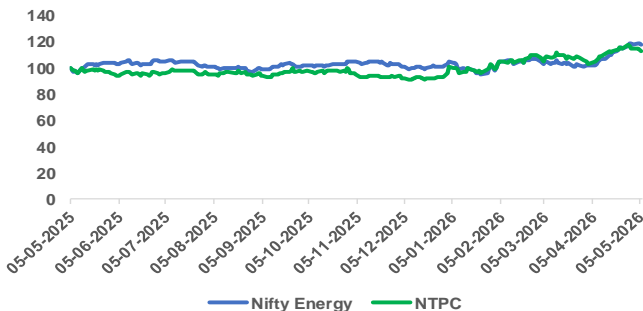
Target: 466

Upside Potential: 16.40%

Key Data	
BSE Code	532555
NSE Code	NTPC
Bloomberg Code	NTPC:IN
Industry	Power
Market Cap	388206.18
No. of Shares(Cr.)	969.67
Face Value	10.00
52 Week High/Low	414.40/315.55

Shareholding Pattern	
Promoter	51.10%
FII	16.54%
DII	29.13%
Public	3.10%
Others	0.13%

Nifty Energy vs NTPC



NTPC Limited is a central public sector undertaking under the Ministry of Power, Government of India, which holds a 51.10% equity stake (as of FY2024–25). As one of India’s largest integrated power utility, NTPC accounts for ~17% of the country’s installed capacity and ~24% of total electricity generation (as of March 2025). Thermal power remains the core contributor, accounting for over 80% of revenues (FY2024–25), while renewable capacity is being scaled up in line with its target of 60 GW by 2032. Growth is primarily driven by capacity addition and asset capitalization, supported by strong operational efficiency and high plant load factors. With planned capacity expansion to ~149 GW by 2032 backed by significant capex, NTPC is positioning itself as a key player in India’s energy transition while maintaining a stable regulated return profile.

Investment Rationale:

- **Volume Growth & Demand Visibility:** NTPC reported a 5.71% growth in gross generation and 6.15% growth in energy sent out during 9MFY26, broadly in line with CEA’s projected ~5.3% CAGR in energy requirement over FY27–FY32, indicating stable volume growth supported by structural demand.

Key Financial Indicators & Valuation (Consolidated)

YE MARCH (Cr.)	FY23	FY24	FY25	FY26 E	FY27 E	FY28 E
EBITDA	47459.20	49933.30	54161.71	55417.18	61819.28	65548.09
PAT	16192.87	17261.02	17957.95	18638.37	21775.18	22862.98
EPS	17.29	18.95	20.26	20.96	22.46	23.58
EV	386244.73	554155.44	583208.61	615635.73	707830.72	750525.59
EV/EBITDA	8.14	11.10	10.77	11.11	11.45	11.45
ROCE(%)	11.5%	10.8%	10.9%	10.8%	11.7%	11.9%
D/E	1.51	1.46	1.35	1.38	1.43	1.47
Asset Turnover Ratio	0.45	0.43	0.42	0.40	0.41	0.41

- **Capacity Addition & Renewable Transition:** NTPC Group added ~9,039 MW capacity in FY25, of which ~6,171 MW was renewable, reflecting a clear strategic shift toward clean energy and aligning with its target of achieving 60 GW renewable capacity by 2032.
- **Revenue, Profitability & Return on Capital:** Over the past five years, revenue and PAT have grown at CAGRs of ~11% and ~17%, respectively, while average ROCE remained around ~9.8%, reflecting the stability of regulated returns and consistent profitability.
- **Dividend Track Record & Shareholder Returns:** The company has maintained a dividend pay-out ratio above ~34% over the past five years, alongside 5-year average EPS of ~16%, highlighting steady cash flow generation and consistent shareholder distribution.
- **Leverage Profile & Financial Stability:** NTPC has maintained an average debt-to-equity ratio of ~1.5x over the last five years, appropriate for a capital-intensive utility, with leverage expected to remain stable amid ongoing capacity expansion.
- **Capex Pipeline & Long-Term Earnings Visibility:** The company continues to undertake significant capex, targeting ~149 GW capacity by 2032 with a strong focus on renewable expansion. NTPC has maintained a consistent annual capex run-rate of ~₹25,000–30,000 crore over the past five years, providing strong visibility on capacity addition and supporting long-term earnings growth through asset capitalization.

Key Risks:

- **Execution Risk:** NTPC's ₹25,000–30,000 crore annual capex plan and 60 GW renewable pipeline face execution and commissioning risks, which could delay earnings visibility.
- **Leverage & Interest Rate Risk:** With debt-to-equity of ~1.5x, rising borrowing costs could pressure the company's ~9.8% ROCE and overall profitability.
- **PLF (Plant Load Factor) & Regulatory Risk:** Any decline in plant load factors below normative levels may reduce revenue entitlement under the regulated cost-plus model.
- **Fuel & Demand Risk:** Gas-based operations remain exposed to LNG price volatility, while slower-than-expected demand growth could impact generation volumes and earnings momentum.

Valuation:

NTPC offers stable and predictable earnings driven by its regulated cost-plus model, with consistent growth supported by large-scale capacity addition targeting ~149 GW by 2032. Strong cash flows, improving returns, and an increasing renewable capacity target of ~60 GW provide long-term visibility while maintaining a stable risk profile. **The company is currently trading at 11.61x EV/EBITDA, below the thermal industry EV/EBITDA of 15.13x and marginally above its 3-year average of 11.16x, suggesting the stock remains attractively valued relative to peers. We estimate the company's Revenue/EBITDA/PAT to grow at a CAGR of 5%/7%/8% over FY26E–FY28E. At a closing price of ₹400.35 as on 7th May 2026, we are valuing the company at 11.45x EV/EBITDA for FY27E, arriving at a target price of ₹466 – implying a potential upside of 16.40% with a Buy recommendation.**

2. Power Grid Corporation of India Limited

Cmp: 313.80 as on 07th May 2026

Rating: Buy

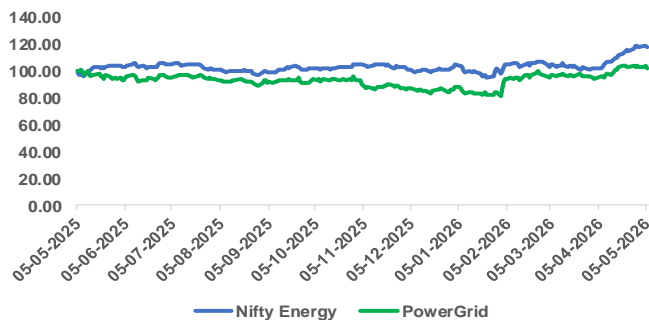
Target: 363

Upside Potential: 15.68%

Key Data	
BSE Code	53898
NSE Code	POWERGRID
Bloomberg Code	PWGR:IN
Industry	Power
Market Cap	291852.83
No. of Shares(Cr.)	930.06
Face Value	10.00
52 Week High/Low	324.9 5 / 250.0

Shareholding Pattern	
Promoter	51.3%
FII's	25.0%
DII's	20.1%
Public	3.5%
Other	0.1%

Nifty Energy vs PowerGrid



Power Grid Corporation of India is a Maharatna Central Public Sector Enterprise under the Ministry of Power, Government of India, which holds a 51.34% equity stake (as of FY2025–26). As India's largest electric power transmission utility, the company manages ~84% of the country's inter-regional transmission capacity, serving as the backbone of the national grid. The company has a transmission network of ~1.83 lakh circuit kilometers and 288 substations, with an inter-regional power transfer capacity of ~101 GW (as of early 2026), supported by industry-leading asset availability of ~99.8%. Growth is driven by continuous network expansion, renewable integration, and increasing share of Tariff Based Competitive Bidding projects, with a gradual shift toward competitive assets while maintaining strong execution capability and sovereign-equivalent credit profile

Investment Rationale:

- **Revenue Growth & Earnings Outlook:** Sales have grown at a 5-years CAGR of ~3%, while the Q3FY26 revenue has grown ~7% compared to Q3FY25 and 9MFY26 revenue has grown at ~2.4% compared to 9MFY25. Revenue growth has been stable, but with the increased amount of CAPEX and Capitalization, we can expect more growth in the future.

Key Financial Indicators & Valuation (Consolidated)						
YE MARCH (Cr.)	FY23	FY24	FY25	FY26 E	FY27 E	FY28 E
EBITDA	39499.60	39902.18	39063.12	41236.58	45281.19	50327.88
PAT	15253.29	16164.10	15355.39	15460.13	16952.66	19148.77
EPS	21.75	17.36	16.39	16.62	18.23	20.59
EV	238949.00	372757.50	391023.65	407609.18	484508.76	541024.72
EV/EBITDA	6.05	9.34	10.01	9.88	10.70	10.75
ROCE(%)	12.4%	12.7%	11.7%	11.3%	11.4%	11.7%
D/E	1.55	1.42	1.41	1.44	1.45	1.48
Asset Turnover Ratio	0.18	0.18	0.18	0.18	0.18	0.18

- **Capex Ramp-Up & Execution Capability:** Execution capability has strengthened significantly, with capex scaling ~4x over the past 3 years, capex was in the range of INR 8,000 Cr – INR 9,000 Cr yearly in FY21 to FY23 with capex of INR 12,500 Cr in FY24 and INR 26,000 Cr in FY25. Capex has scaled up to INR 35,000+ crore in FY26 with visibility of INR 45,000 crore in FY27, supported by strong execution capabilities and project pipeline. Providing clear earnings visibility through asset base expansion.
- **Operational Excellence & Order Book Visibility:** Operational excellence remains strong with ~99.84% (Dec 2025) transmission availability and low tripping rates (~0.21 per line), supporting stable and efficient asset performance. At the same time a strong order book of ~INR 1.48 lakh crore and CWIP of ~INR 49,000 crore provide robust near- to medium-term growth visibility.
- **Financial Stability & Shareholder Returns:** The company has maintained a healthy 5-year average ROCE of 12.4%, along with a dividend pay-out ratio of over 50% during the past five years, while sustaining a balanced debt-to-equity ratio of nearly 60:40. This reflects stable earnings performance and strengthens investor confidence in the business.
- **Long-Term Investment Opportunity & Growth Pipeline:** Management highlighted a total transmission investment opportunity of ~₹15 lakh crore through 2035, driven by domestic and cross-border grid expansion. With an order book of ~₹1.48 lakh crore and CWIP of ~₹49,000 crore, Power Grid has strong near- to medium-term execution visibility, while the broader opportunity pipeline supports long-term growth.

Key Risks:

- **Execution & Regulatory Risk:** Delays in land acquisition, Right of Way approvals, regulatory clearances, and supply chain bottlenecks could defer project execution and earnings realisation across the large capex pipeline.
- **Margin & Cost Risk:** With nearly 65% of orders under the TBCB model, competitive bidding and adverse input cost movements may pressure project-level margins and returns.
- **Funding & Cash Flow Risk:** The capital-intensive business remains sensitive to rising borrowing costs, funding delays, and delayed payments from state DISCOMs, which could impact leverage and cash flows.

Valuation: Power Grid provides high earnings visibility through its regulated asset base model, with returns linked to asset capitalisation rather than volume demand. A strong capex pipeline representing a ~₹15 lakh crore opportunity through 2035 and increasing capitalisation support steady growth, backed by strong execution capabilities and stable cash flows. **The company is currently trading at 10.76x EV/EBITDA, below the transmission industry EV/EBITDA of 13.23x and above its 3-year average of 10.04x, suggesting the stock is attractively valued relative to peer benchmarks. We estimate Revenue/EBITDA/PAT to grow at a CAGR of 8%/9%/8% over FY26E–FY28E, and value the company at 10.70x EV/EBITDA for FY27E. At a closing price of ₹313.8 as on 7th May 2026, our valuation implies a target price of ₹363 by FY27E - representing a potential upside of 15.68%. We initiate a Buy rating.**

3. Torrent Power Limited

Cmp: 1712.50 as on 07th May 2026

Rating: Buy

Target: 1969

Upside Potential: 14.98%

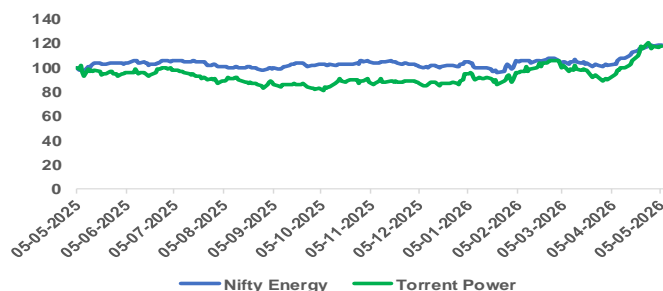
Key Data

BSE Code	532779
NSE Code	TORNTPOWER
Bloomberg Code	TPW:IN
Industry	Power
Market Cap	140366.73
No. of Shares(Cr.)	48.06
Face Value	10.00
52 Week High/Low	1824.10 / 1188.00

Shareholding Pattern

Promoter	51.1%
FIs	8.4%
DIs	22.8%
Public	8.4%
Other	9.3%

Nifty Energy vs Torrent Power



Torrent Power Business is one of India's leading private-sector integrated power utilities with operations across generation, transmission, and distribution. As of Q3FY26, the company had an installed capacity of nearly 5 GW, comprising around 2.7 GW of gas-based capacity, 2.0 GW of renewable energy, and a smaller coal-based portfolio, along with a transmission network of about 483 circuit kilometers. The transmission and distribution segment contributes nearly 73% of FY25 revenue, providing a stable and regulated earnings base, while the generation business contributes around 24% through a mix of contracted and merchant exposure. The company serves over 4.2 million customers across multiple states and maintains strong operational efficiency, reflected in low T&D losses of around 2.34% and power availability of nearly 99.9%.

Investment Rationale:

- **Consistent Growth & Strong Return Ratios:** Torrent Power has delivered steady financial performance, with revenue growing at a ~16% CAGR over the past five years and sales rising ~4% YoY in Q3FY26. The company has also maintained a healthy average ROCE of ~15%, reflecting efficient capital allocation and strong operational execution across its regulated businesses.

Key Financial Indicators & Valuation (Consolidated)

YE MARCH (Cr.)	FY23	FY24	FY25	FY26 E	FY27 E	FY28 E
EBITDA	4734.64	4433.61	5287.41	5937.45	6688.54	7560.13
PAT	2164.67	1896.00	3058.61	3287.92	3672.13	4132.53
EPS	0.08	0.07	0.10	0.11	0.11	0.11
EV	33852.39	75340.91	82431.22	75271.43	110360.91	117938.00
EV/EBITDA	7.15	16.99	15.59	12.68	16.50	15.60
ROCE(%)	15.7%	12.6%	14.1%	12.9%	13.1%	13.1%
D/E	2.00	2.00	1.53	1.70	1.69	1.68
Asset Turnover Ratio	0.97	0.90	0.87	0.81	0.79	0.77

- **Strategic Shift Toward Renewables:** The company's installed capacity of ~5,039 MW is currently led by gas-based generation (~54%), followed by solar (~21%), wind (~18%), and coal (~7%). However, with a planned pipeline of nearly 5.6 GW, the generation mix is expected to shift significantly toward renewables, with solar and wind contribution increasing to ~27% and ~29%, respectively, strengthening its clean energy portfolio and long-term growth visibility.
- **Strong Operational Efficiency in Distribution Business:** Torrent Power continues to demonstrate industry-leading operational efficiency, reflected in sharp reductions in AT&C losses across key distribution circles. Ahmedabad losses declined from ~6.0% in FY21 to ~3.3% in FY25, Surat improved from ~4.1% to ~2.8%, while Bhiwandi losses reduced from nearly 58% before takeover to below 10%, highlighting the company's strong turnaround capabilities and execution strength.
- **Robust Capacity Expansion Pipeline:** The company has a strong development pipeline comprising ~4 GW renewable capacity, ~3 GW pumped storage projects, and ~1.6 GW coal-based projects, providing clear long-term growth visibility. This is supported by ongoing capex of ~₹5,140 crore in 9MFY26, with management guiding for annual commissioning of ~1.2–1.5 GW renewable capacity in the near term.
- **Healthy Balance Sheet & Funding Flexibility:** Torrent Power maintains a comfortable financial profile with net debt-to-equity of ~0.40x and net debt-to-EBITDA of ~1.41x, providing adequate balance sheet strength to support future expansion. Management's disciplined funding strategy, with new projects financed largely at a 70:30 to 75:25 debt-equity mix, offers sufficient flexibility to fund growth while maintaining healthy leverage levels.

Key Risks:

- **Execution Risk:** Delays in commissioning the ~5,604 MW pipeline could defer asset capitalisation, increase construction-related interest costs, and delay earnings visibility.
- **Fuel & Input Cost Risk:** With ~54% of capacity dependent on gas, the company remains exposed to LNG price volatility and supply disruptions, especially amid ongoing geopolitical tensions impacting global energy markets.
- **Regulatory & Operational Risk:** Regulated tariffs limit pricing flexibility, and any delay in tariff revisions or cost pass-through approvals could pressure margins, while even marginal deterioration in AT&C losses may impact distribution profitability.

Valuation: Torrent Power offers a balanced growth profile with strong distribution-led cash flows (~73% revenue contribution), improving operational efficiency (AT&C losses ~2–3%), disciplined leverage (net D/E ~0.40x), and a robust 5.6 GW pipeline. While the stock trades at 17.46x EV/EBITDA as of closing of 7th May 2026, above its 3-year average of 16.88x, the premium is justified given consistent cash generation and a well-defined capex pipeline. **We estimate Revenue/EBITDA/PAT to grow at a CAGR of 10%/13%/11% over FY26E–FY28E, and value the company at 16.5x EV/EBITDA for FY27E, arriving at a target price of ₹1,969 - implying a 14.98%. We initiate a Buy & Accumulate rating.**

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