

## Power Grid (PWGR) - REDUCE

### Company Update

Current Market Price (CMP) <b>Rs.302</b>	Fair Value (FV) <b>Rs.300</b>
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### Rationale:

- PWGR has raised its capex and capitalization guidance for FY26E to Rs35000cr (from Rs32000 cr) & Rs25000 cr (from Rs22000 cr) while reiterating guidance for FY27/28E.
- PWGR further highlighted CEA's latest estimate for transmission capex of Rs7.9 lakh cr for non-fossil fuel generation capacities by FY36E.
- We expect Power Grid's earnings to grow at 8% CAGR over FY25-28E.
- Valuations at 16X P/E and 2.6X P/B (FY27E) remain full.
- REDUCE with a revised SoTP based FV of Rs300 (Rs280 earlier).

### 👍 Positives:

- Power Grid expects to commission over 60K MVA transformation capacity in FY26E.
- Gross assets have crossed Rs3 lakh cr.
- Better capex and capitalization for FY26E; holding on to future guidance.
- Retaining FY27/28E guidance at Rs37000/45000 cr.
- India has a Rs7.9 lakh cr transmission opportunity, according to CEA; Power Grid expects to win ~50% of these bids.

### 👎 Negatives:

- PWGR had flat earnings in the past four years.
- Earnings come to a halt owing to very low capitalization over the past 3.5 years.

(CEA: Central Electricity Authority, P/E Price to Earnings, P/B: Price to Book Value, SoTP: Sum of The Parts, MVA: Mega Volt-Ampere, CAGR: Compound Annual Growth Rate, k: Thousand)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

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- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
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- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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