

# Adani Transmission Ltd

Update Sept 2022

'HOLD' for long term gains



Kyon ki bhaiya, sabse bada rupaiya.

**HOLD @ CMP INR 4,001**
**Target: INR 4,172 in 18 months**
**Upside potential: 4.3%**

## 'HOLD' for long term gains

Since our coverage initiation of Adani Transmission Ltd. (ATL), the stock has rallied ~121% and exceeded our target objective of INR 2,797. As we roll forward and bake in FY25, we downgrade from a 'BUY' to 'HOLD' with a revised TP of INR 4,172, given the fact that much of the expected upside is already factored in. While we are constructively positive on the sector outlook, we would be looking to initiate a 'Buy' coverage at more attractive price points. An upside risk to our estimates continues to remain the acquisition led growth strategy.

### Industry on a growth path

ATL has been a frontrunner in India's TBCB power transmission biddings and maintained a 30-35% share in allocation of transmission projects to the private sector. ~INR 3 trillion of TBCB projects are expected to be allocated to the private players over the next 8 years. Of this, we expect ATL to acquire ~INR 1.0 trillion worth of projects.

### HVDC transmission asset to be operational over the next two years

The INR 6,000 – 7,000 cr ROA framework based HVDC transmission Asset (Mumbai) is expected to commence operations over the next 2 years, providing for an annual contribution of approx. INR 1,400 cr.

### Long tenure of TBCB projects provides long term visibility

The 35-year TBCB contracts provide for long term visibility. Over FY22-25, we expect the operational asset base of the power transmission business and its revenues to grow to INR 35,560 cr (CAGR of 19.7%) and to INR 5,426 cr (CAGR of 16.1%), respectively.

### Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	Net Profit	EBITDA (%)	Net Profit (%)	EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	Debt to EBITDA (X)	P/E (X)	P/BV (X)	EV/EBITDA (X)
FY21	9,926	4,533	1,224	45.7	12.3	11.0	64.5	20.1	9.3	6.2	364.6	62.0	104.7
FY22	11,258	4,889	1,205	43.4	10.7	10.8	71.3	17.6	9.1	6.4	370.5	56.1	97.7
FY23E	13,205	4,906	1,044	37.2	7.9	9.4	115.1	8.9	9.3	5.0	427.3	34.7	95.9
FY24E	15,087	6,527	2,460	41.3	15.6	22.1	136.1	17.5	12.1	3.9	181.4	29.4	72.3
FY25E	17,437	7,385	2,809	42.4	16.1	25.2	159.5	16.8	12.0	3.9	158.9	25.1	64.3

Industry	Power T&D
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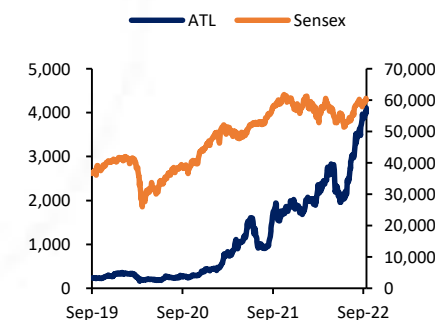
### Scrip Details

Face Value (INR)	10.0
Market Cap (INR Cr)	4,46,314
Price (INR)	4,001
No of Shares O/S (Cr)	109.98
3M Avg Vol (000)	33
52W High/Low (INR)	4,239/1,474
Dividend Yield (%)	0.0

### Shareholding (%) Jun 2022

Promoter	74.9
Institution	23.6
Public	1.5
<b>TOTAL</b>	<b>100.0</b>

### Price Chart



## INR 10,000 cr Mumbai distribution franchise capex to bolster earnings; Mundra to grow from consumer additions

ATL's distribution business has a strong capex commitment of INR 10,000 cr over FY22-25 for upgradation of the infrastructure of Adani Electricity Mumbai Ltd (AEML) and Mundra Utility Ltd (MUL). This capex led increase in the RAB - regulated asset base (financed by 70:30 debt to equity) earns a fixed annual return on equity (RoE of 15.5% for AEML and 14.0% for MUL) and is EBIDTA accretive.

The new distribution geography of MUL in Mundra Port & SEZ is a significant growth opportunity given the substantial investment commitment from various companies (including Adani Enterprises Ltd) in the areas of steel, cement, copper, aluminium, PVC, green H2 ecosystem, etc. Citing increased offtake, the company has committed a capex of INR 4,000 cr which is to be incurred over FY22-25 to build a future ready infrastructure for power distribution.

## Acquisitions are a key driver of future growth

The government is keen on privatization of the inefficient existing discoms. We believe there exists significant scope for inorganic growth opportunities for ATL to beef up its distribution business. However, this being an opportunistic endeavor, we have not assumed any additions to our forecast and this remains an upside risk to our estimates.

Over the period FY22-25E, we are expecting ATL's revenue to grow at a CAGR of 15.2% to INR 17,199 cr which will be driven by

- 16.1% revenue CAGR in power transmission business to INR 5,426 cr
- 12.7% revenue CAGR in power distribution business to INR 9,980 cr
- Revenue from the new business vertical of smart meters, which is expected to contribute revenue of INR 560 cr in FY25
- 14.5% revenue CAGR in other segments to INR 1,233 cr

EBITDA and net profit to grow at a CAGR of 16.9% and 29.8% to INR 12,852 cr and INR 2,634 cr respectively. EBITDA and net margins are expected to improve by 321bps to 74.7% and 462bps to 15.3% respectively by FY25. Subsequently, RoIC to improve by 255bps to 11.7%.

## Elongated tenure of debt to provide balance sheet cushion

The company has transformed the profile of its debt over the various stage of asset acquisition. Further, 100% of term debt is expected to be raised from international market by FY25.

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## ATL: Transformational Capital Management Plan in AEML resulting in value unlocking

Capital structure consistent with underlying Business philosophy

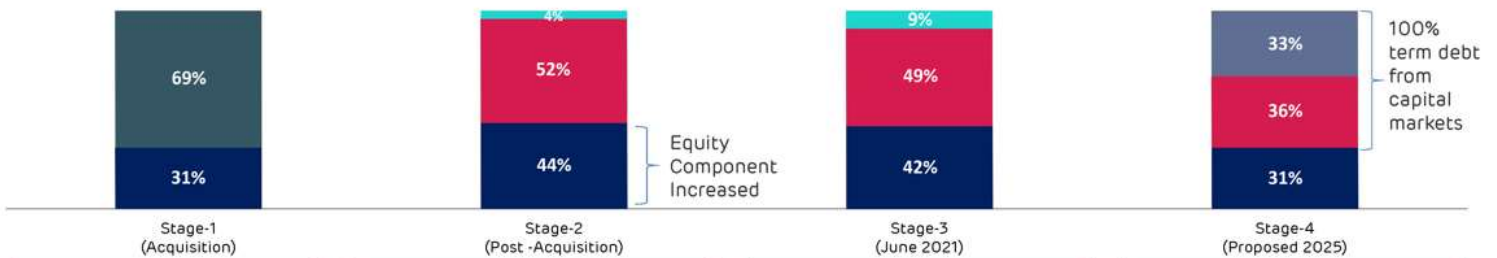
Elongated maturity reflecting perpetual nature of business

High quality stable cashflow profile to ensure IG metrics reduced cost of debt

Diversified and deep investor base, to provide stability

Fully funded long term capex program

■ Equity ■ Bond ■ Bank ■ ECB ■ GMTN



### Stage - 1 (Acquisition): Aug-18

- On acquisition, introduced efficient capital structuring - debt financing of USD 1.1 bn
- Debt from Domestic Banks
- Fresh capex debt (D/E 70:30) at **competitive pricing**

### Stage - 2 (Post Acquisition): Feb-20

- QIA's acquisition of 25.1% stake
- **Debt reduction** through shareholder sub-debt of US\$ 282 mn
- **Refinancing** through US\$ 1 bn IG non amortizing bond
- US\$ 400 mn ECB Capex revolver facility to **fully fund** Capex program

### Stage - 3 (Recent): Jun-21

- Revolving ECB Capex facility used for **RAB growth**
- Asset hardening improved operational efficiency promoting affordable tariff
- Successfully placed **US\$ 2bn GMTN program** to replace ECB in July 2021

### Stage - 4 (Proposed): Mar-25

- **100%** of term debt placed in **international capital markets**.
- Diversified global investor base to provide stability
- Elongated maturity → liquidity
- Prudent Capital Management plan to enhance credit quality

Activate Windows

Source: Ventura Research

## Valuation

We have used the DCF model to value ATL since its TBCB contracts throw up significant cash over the next 35 (typical life of a TBCB contract). We have discounted back the future cash flows to FY25 and value the company at INR 4,172, presenting a upside of 4.3% from the CMP of 4,001.

### DCF Valuation

<b>Cost of Equity</b>	<b>7.8</b>
<b>Cost of Debt</b>	<b>6.0</b>
<b>WACC</b>	<b>7.7</b>
<b>Terminal Value Growth</b>	<b>3.0</b>
<b>Terminal Value</b>	<b>22,53,716</b>

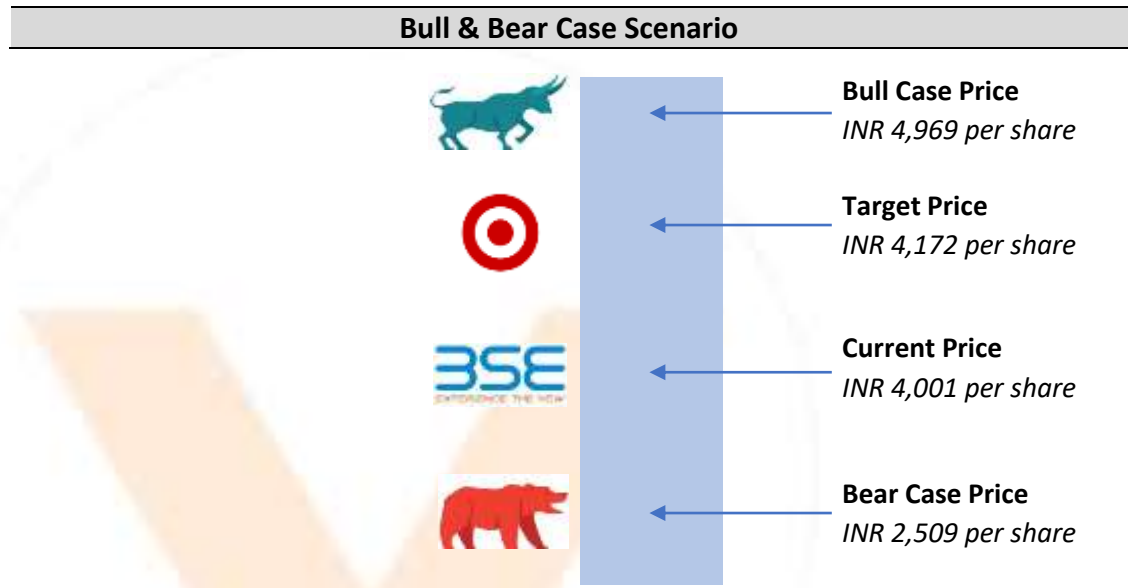
	<b>FY25</b>	<b>FY30</b>	<b>FY35</b>	<b>FY40</b>	<b>FY45</b>	<b>FY50</b>	<b>FY55</b>
<b>FCFF</b>	<b>8,025</b>	<b>17,349</b>	<b>33,055</b>	<b>61,146</b>	<b>98,303</b>	<b>1,42,888</b>	<b>1,93,536</b>
<b>Discount Factor (X)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Discounted FCFF</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total of Discounted FCFF FY25</b>	<b>2,65,118</b>						
<b>FY25 Present Value of Terminal Value</b>	<b>2,28,713</b>						
<b>FY25 Value of Operations</b>	<b>4,93,831</b>						
<b>FY25 Net Debt</b>	<b>28,491</b>						
<b>FY25 Value of Equity</b>	<b>4,65,340</b>						
<b>FY25 Value of Equity per share (INR)</b>	<b>4,172</b>						

Source: Ventura Research

## Our Bull and Bear Case Scenarios

We have prepared a Bull and Bear case scenario based on ATL's discount factor.

- **Bull Case:** We have assumed 1% lower WACC rate while calculating the DCF value, which will result in a Bull Case consolidated price target of INR 4,969 (an upside of 24.2% from CMP).
- **Bear Case:** We have assumed 1% higher WACC rate while calculating the DCF value, which will result in a Bear Case consolidated price target of INR 2,509 (a downside of 37.3% from CMP).



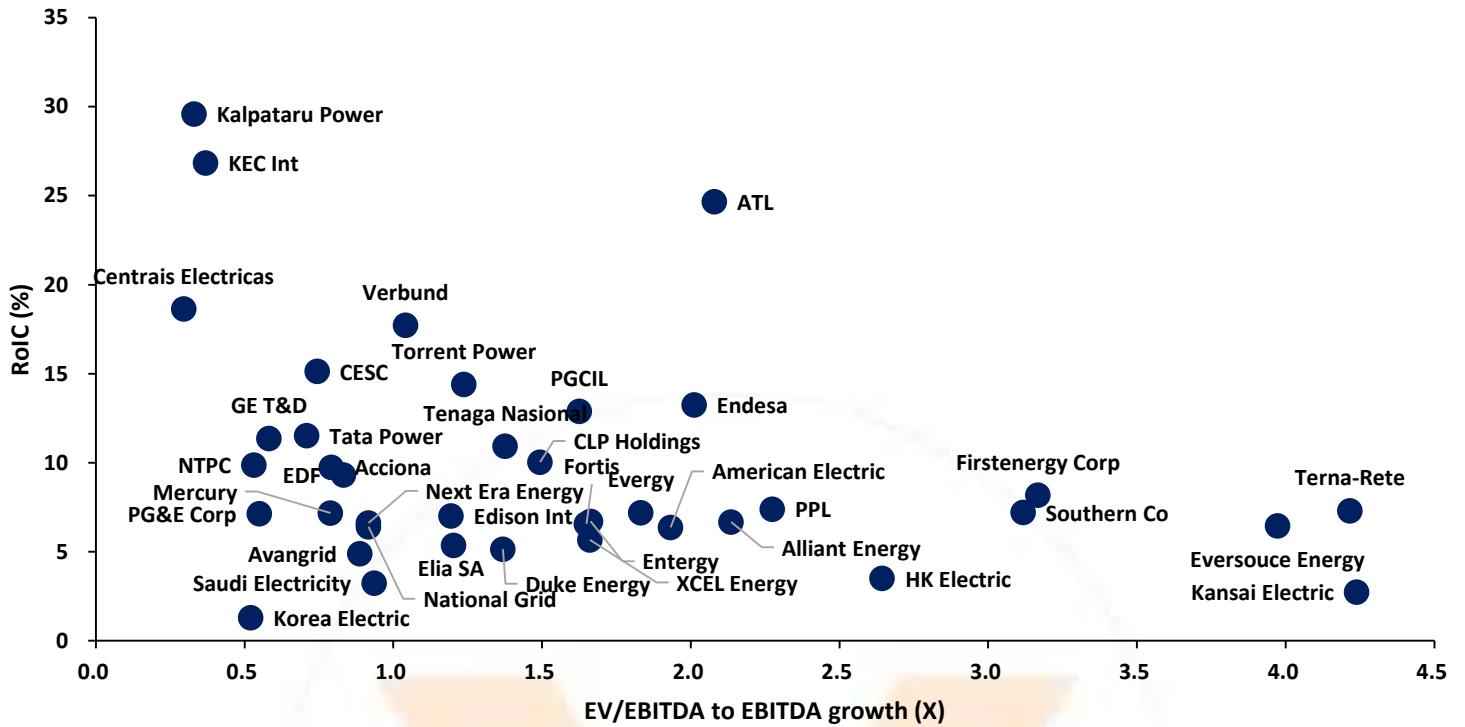
Source: Ventura Research



## Valuation and Comparable Metric of Domestic and Global Power T&D companies

Company Name	Mkt Cap	Price	PEG 2024	P/E (X)			P/B (X)			EV/EBITDA (X)			RoE (%)			RoIC (%)			Sales			EBITDA Margin (%)			Net Margin (%)		
				2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024
Domestic Peers (Data in INR Cr, unless specified)																											
<b>Adani Transmission Ltd</b>	<b>4,46,314</b>	<b>4,001.0</b>	<b>6.9</b>	<b>370.5</b>	<b>427.5</b>	<b>181.4</b>	<b>65.1</b>	<b>38.0</b>	<b>31.7</b>	<b>59.3</b>	<b>47.8</b>	<b>40.3</b>	<b>17.6</b>	<b>8.9</b>	<b>17.5</b>	<b>17.5</b>	<b>23.0</b>	<b>25.1</b>	<b>11,258</b>	<b>13,205</b>	<b>15,807</b>	<b>71.5</b>	<b>74.6</b>	<b>74.1</b>	<b>10.7</b>	<b>7.9</b>	<b>15.6</b>
Power Grid Corp of India Ltd	1,62,215	232.6	1.5	12.2	11.6	11.0	2.1	2.0	1.9	7.7	7.1	6.9	17.1	16.8	17.0	11.6	12.2	12.9	41,241	43,538	44,061	88.3	87.3	87.3	32.3	32.0	33.3
GE T&D Ltd	3,439	134.3	0.3	33.9	21.9	19.9	2.9	2.6	2.4	19.7	14.9	13.5	8.5	12.0	12.0	8.1	11.2	11.4	3,638	3,952	4,348	5.2	6.3	6.3	2.8	4.0	4.0
Tata Power Co Ltd	75,138	231.2	1.0	36.6	31.3	26.0	3.4	3.1	2.9	14.6	12.5	10.6	9.2	9.9	11.3	8.3	9.7	11.5	41,262	45,816	51,167	19.1	20.0	20.8	5.0	5.2	5.7
NTPC Ltd	1,66,589	171.8	0.9	10.5	9.3	8.7	1.2	1.1	1.1	8.6	7.9	7.0	11.9	12.2	12.7	8.6	9.1	9.9	1,25,776	1,37,743	1,49,268	32.5	32.7	33.0	12.7	13.0	12.8
KEC International Ltd	10,907	424.3	0.5	19.5	13.4	10.9	2.9	2.4	2.0	10.7	7.8	6.4	14.7	18.2	18.7	18.7	23.6	26.8	14,681	16,422	18,279	8.0	9.5	9.9	3.8	5.0	5.5
Kalpataru Power Transmission Ltd	6,363	427.3	0.3	13.2	8.9	7.6	1.5	1.3	1.2	5.4	4.1	3.4	11.6	15.1	15.1	19.5	24.0	29.6	13,682	15,652	16,007	10.9	11.6	12.5	3.5	4.6	5.2
Torrent Power Ltd	26,186	544.9	1.6	19.0	16.8	16.6	2.3	2.1	2.0	8.8	7.9	7.6	12.3	12.8	12.2	13.4	14.5	14.4	13,535	14,547	15,314	27.2	27.4	27.2	10.2	10.7	10.3
CESC Ltd	10,182	81.5	0.5	7.1	6.6	5.9	1.0	0.9	0.9	6.1	5.5	4.8	13.7	14.0	14.9	13.0	14.1	15.1	12,775	13,350	14,001	28.2	27.5	27.4	11.2	11.6	12.4
Global Peers (Data in USD Mn, unless specified)																											
Verbund AG (Austria)	34,761	100.1	1.9	29.8	29.7	27.9	4.4	4.1	3.8	16.4	16.3	14.6	14.7	13.9	13.7	17.8	16.2	17.7	4,862	4,912	5,025	46.4	46.1	49.9	24.0	23.9	24.8
Elia Group SA (Belgium)	7,949	115.8	1.6	24.5	22.6	20.6	1.6	1.4	1.3	13.3	12.9	11.7	6.4	6.2	6.2	5.2	5.1	5.4	3,083	3,184	3,503	41.8	43.3	43.3	10.5	11.0	11.0
Centrais Electricas Brasiler (Brazil)	9,228	5.9	0.4	8.5	4.5	4.1	0.7	0.7	0.6	4.3	3.4	3.1	8.8	15.8	15.8	16.5	18.4	18.7	6,191	6,276	6,903	48.8	52.2	52.2	17.5	32.9	32.9
Fortis Inc (Canada)	21,081	44.6	2.4	19.3	18.1	17.1	1.5	1.4	1.3	11.9	11.4	11.1	7.5	7.8	7.5	6.3	6.5	6.6	7,873	8,044	8,412	46.0	48.3	48.2	13.9	14.5	14.7
CLP Holdings Ltd (China)	24,578	9.7	2.2	15.8	15.4	14.0	1.6	1.5	1.4	9.3	9.1	8.2	9.9	9.9	9.9	10.1	9.8	10.0	11,094	11,370	12,507	28.9	28.8	28.8	14.0	14.0	14.0
HK Electric Investments (China)	8,687	1.0	3.2	22.9	21.8	19.8	1.4	1.4	1.3	15.3	14.9	13.6	6.2	6.4	6.4	3.6	3.3	3.5	1,475	1,497	1,647	67.2	68.9	68.9	25.7	26.6	26.6
Fortum OYJ (Finland)	25,044	28.2	4.4	15.4	15.1	13.2	1.5	1.4	1.4	8.2	8.2	7.5	9.4	9.3	10.8	9.7	9.7	11.2	79,803	78,465	73,005	4.7	4.7	5.5	2.0	2.1	2.6
EDF (France)	44,320	14.0	1.0	7.7	7.2	7.4	0.8	0.7	0.7	4.2	4.1	4.1	10.0	10.4	9.6	9.5	10.0	9.3	91,148	92,849	95,234	25.5	26.0	25.6	6.4	6.6	6.3
Terna-Rete Electrica Naziona (Italy)	14,855	7.4	5.1	17.4	16.7	15.2	2.7	3.2	2.5	13.1	13.0	12.8	15.2	19.4	16.5	7.4	7.8	7.3	2,917	3,018	3,181	70.6	71.5	72.1	29.2	29.6	30.7
Kansai Electric Power Co (Japan)	8,413	9.0	3.1	12.6	10.4	7.6	0.5	0.5	0.5	13.5	13.0	11.1	4.2	4.9	6.5	1.6	2.0	2.7	23,073	23,582	23,544	15.8	16.4	19.2	2.9	3.4	4.7
Tenaga Nasional BHD (Malaysia)	12,998	2.3	0.5	11.1	10.7	7.4	0.9	0.9	0.8	4.6	4.6	4.0	8.5	8.3	11.2	10.2	9.9	10.9	11,807	12,014	12,905	38.2	37.1	38.0	9.9	10.1	13.6
Mercury NZ Ltd (New Zealand)	5,486	4.0	1.3	40.9	34.2	30.4	1.7	1.8	1.8	15.8	14.3	13.1	4.3	5.1	5.8	5.1	6.2	7.2	1,502	1,612	1,549	28.6	29.4	33.0	8.9	10.0	11.6
Saudi Electricity Co (S Arabia)	27,499	6.6	5.0	12.7	11.6	12.4	0.6	0.6	0.4	10.1	9.0	9.2	4.6	4.9	3.1	3.8	4.3	3.2	18,525	19,993	19,485	52.5	54.2	54.9	11.7	11.9	11.3
Korea Electric Power Corp (S Korea)	12,056	18.8	2.6	-4.3	-81.1	-185.0	0.2	0.2	0.2	10.6	6.9	7.1	-5.3	-0.3	-0.1	-3.0	0.8	1.3	53,954	55,871	56,710	13.4	20.1	19.6	-5.2	-0.3	-0.1
Endesa SA (Spain)	22,814	21.5	3.2	12.2	11.2	11.1	2.7	2.5	2.4	7.5	7.2	7.2	22.2	22.7	21.7	13.6	13.8	13.3	22,090	22,616	22,650	20.2	21.0	21.4	8.5	9.0	9.1
Acciona SA (Spain)	9,833	179.2	0.9	19.3	16.8	15.2	2.3	2.1	2.0	9.0	8.5	8.6	11.8	12.6	13.3	10.0	10.4	9.8	9,250	9,622	10,163	18.8	20.1	20.6	5.5	6.1	6.4
Next Era Energy Inc (UK)	47,928	13.3	1.0	16.8	15.1	14.6	1.7	1.6	1.5	13.6	11.8	12.1	10.0	10.4	10.4	6.0	6.9	6.6	21,083	21,942	22,564	35.9	38.7	38.4	13.5	14.5	14.6
SSE PLC (UK)	22,959	21.5	0.5	19.0	16.2	16.4	2.5	2.4	2.1	12.6	11.7	11.2	13.1	14.6	13.0	9.2	9.4	9.3	10,615	11,551	12,133	25.8	26.1	26.2	11.4	12.3	11.5
Duke Energy Corp (USA)	75,685	98.4	2.8	18.0	17.0	16.0	1.5	1.5	1.4	11.9	11.3	10.7	8.5	8.8	9.0	5.7	5.8	5.1	26,405	27,181	27,225	46.2	48.3	52.6	15.9	16.3	17.4
Southern Company (USA)	66,418	62.7	1.8	17.5	16.1	14.8	2.1	2.0	2.1	12.1	11.8	12.3	12.2	12.7	14.3	7.2	7.4	7.2	22,468	23,291	23,854	44.2	44.2	42.4	16.9	17.7	18.8
The National Grid PLC (USA)	47,912	66.2	1.0	16.8	15.1	14.6	1.5	1.4	1.4	13.6	11.8	12.1	9.2	9.5	9.5	5.9	6.7	6.4	21,083	21,942	22,564	35.9	38.7	38.4	13.5	14.5	14.6
Eversource Energy (USA)	28,832	83.9	2.2	20.3	18.9	17.5	1.9	1.8	1.7	13.5	13.1	13.9	9.2	9.4	9.6	6.7	6.8	6.5	9,793	10,122	10,601	36.5	37.4	35.6	14.5	15.1	15.6
Edison International (USA)	24,656	64.9	2.0	13.7	12.7	12.1	1.6	1.5	1.5	9.5	9.1	9.2	11.6	11.9	12.2	7.1	7.4	7.0	14,789	15,355	15,593	37.2	38.8	39.7	12.2	12.6	13.1
PG & E Corp (USA)	24,579	12.4	0.8	10.6	9.3	8.4	1.0	1.0	1.0	7.5	6.9	6.6	9.7	10.5	11.9	7.3	7.5	7.1	20,902	21,573	22,132	40.3	42.5	44.2	11.1	12.3	13.1
XCEL Energy Inc (USA)	35,068	65.1	2.3	20.4	19.0	17.6	2.2	2.1	1.9	12.5	12.0	11.7	10.7	10.9	10.7	6.2	6.3	5.7	12,791	13,259	13,435	37.6	38.9	40.3	13.5	14.0	14.8
Entergy Corp (USA)	21,294	106.0	1.7	16.3	15.1	14.0	2.2	2.0	1.6	10.8	10.7	10.2	13.3	13.3	11.4	7.1	6.7	6.7	10,872	11,136	11,293	38.9	39.8	41.8	12.0	12.7	13.5
PPL Corp (USA)	21,320	28.4	1.7	17.9	16.1	15.1	1.5	1.4	1.3	10.3	9.6	9.1	8.1	8.7	8.4	7.5	7.7	7.4	6,703	7,031	7,169	46.8	48.4	50.0	17.8	18.9	19.7
Firstenergy Corp (USA)	20,976	38.5	2.6	14.7	13.7	12.9	2.2	2.1	1.9	10.8	10.5	10.4	15.2	15.0	14.5	8.2	8.3	8.2	11,637	11,895	12,141	35.0	35.9	36.0	12.3	12.9	13.4
Avangrid Inc (USA)	19,806	51.2	1.7	21.7	20.2	19.1	1.0	0.9	0.9	11.9	11.7	10.0	4.4	4.6	4.5	4.4	4.5	4.9	7,524	7,817	8,213	35.9	36.3	35.6	12.1	12.5	12.6
Eergy Inc (USA)	14,893	65.6	3.6	18.4	17.2	16.0	1.6	1.5	1.5	11.2	10.7	10.2	8.7	9.0	9.3	6.7	6.9	7.2	5,261	5,435	5,509	44.2	45.4	48.2	15.4	15.9	16.8
American Electric Power (USA)	41,994	83.4	1.8	16.3	15.2	14.2	1.8	1.7	1.6	11.9	11.5	11.5	10.8	11.1	11.5	6.2	6.4	6.4	17,160	17,756	18,769	39.9	41.1	40.2	15.0	15.6	15.7
Alliant Energy Corp (USA)	14,218	56.8	3.2	20.7	19.4	18.3	2.2	2.1	1.9																		

**ATL managed to sustain double digit RoIC in its high growth phase**



Source: Ventura Research, ACE Equity & Bloomberg

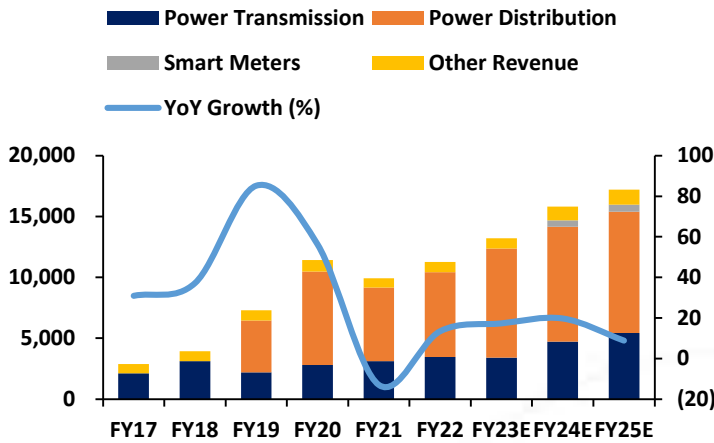


## ATL Financial Summary

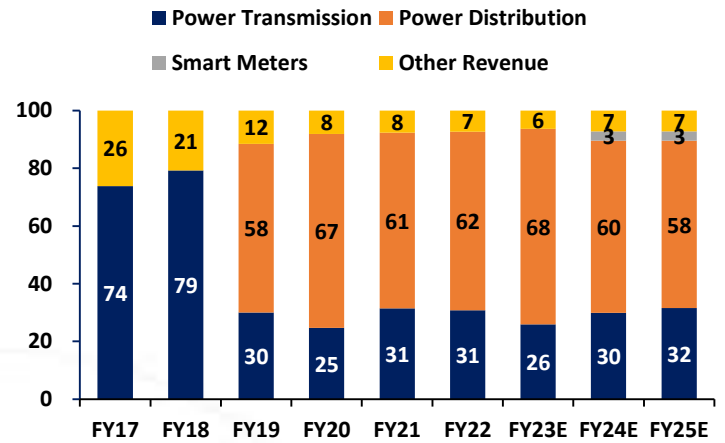
Fig in INR Cr (unless specified)	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY30E	FY35E	FY40E	FY45E	FY50E	FY55E
Power Transmission	2,124	3,129	2,193	2,815	3,122	3,469	3,421	4,736	5,426	16,068	34,818	61,068	92,568	1,27,818	1,66,818
Share in revenue (%)	73.9	79.3	30.0	24.7	31.5	30.8	25.9	30.0	31.1	45.9	56.0	61.8	65.0	66.7	67.5
Power Distribution	0	0	4,270	7,676	6,048	6,966	8,955	9,421	10,200	15,505	21,769	29,131	37,748	47,796	59,477
Share in revenue (%)	0.0	0.0	58.5	67.2	60.9	61.9	67.8	59.6	58.5	44.3	35.0	29.5	26.5	24.9	24.1
Smart Meter	0	0	0	0	0	0	0	518	560	883	1,101	1,366	1,693	2,099	2,608
Share in revenue (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.3	3.2	2.5	1.8	1.4	1.2	1.1	1.1
Other Operating Revenue	752	816	842	925	757	822	829	1,133	1,250	2,526	4,527	7,216	10,425	14,049	18,104
Share in revenue (%)	26.1	20.7	11.5	8.1	7.6	7.3	6.3	7.2	7.2	7.2	7.3	7.3	7.3	7.3	7.3
<b>Revenue from operations</b>	<b>2,876</b>	<b>3,944</b>	<b>7,305</b>	<b>11,416</b>	<b>9,926</b>	<b>11,258</b>	<b>13,205</b>	<b>15,807</b>	<b>17,437</b>	<b>34,982</b>	<b>62,215</b>	<b>98,781</b>	<b>1,42,434</b>	<b>1,91,762</b>	<b>2,47,007</b>
YoY Growth (%)	30.9	37.2	85.2	56.3	(13.0)	13.4	17.3	19.7	10.3	12.8	10.2	8.2	6.3	5.1	4.4
Cost of Power Purchase	8	0	2,291	3,697	2,887	3,845	5,475	5,182	5,610	8,528	11,973	16,022	20,761	26,288	32,712
RM Cost to Sales (%)	0.3	0.0	31.4	32.4	29.1	34.2	41.5	32.8	32.2	24.4	19.2	16.2	14.6	13.7	13.2
Raw Material Cost	755	816	839	924	756	821	829	1,133	1,250	2,526	4,527	7,216	10,425	14,049	18,104
RM Cost to Sales (%)	26.3	20.7	11.5	8.1	7.6	7.3	6.3	7.2	7.2	7.2	7.3	7.3	7.3	7.3	7.3
Employee Cost	46	42	587	973	931	885	938	1,122	1,238	2,484	4,417	7,013	10,113	13,615	17,537
Employee Cost to Sales (%)	1.6	1.1	8.0	8.5	9.4	7.9	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1
Other Expenses	83	261	826	1,567	1,402	1,500	1,592	1,844	1,954	4,563	9,144	15,269	22,484	30,201	38,372
Other Expenses to Sales (%)	2.9	6.6	11.3	13.7	14.1	13.3	12.1	11.7	11.2	13.0	14.7	15.5	15.8	15.7	15.5
Regulatory Deferral Account	0	0	0	0	(583)	(682)	(535)	0	0	0	0	0	0	0	0
<b>EBITDA</b>	<b>1,991</b>	<b>2,826</b>	<b>5,053</b>	<b>7,951</b>	<b>6,837</b>	<b>8,051</b>	<b>9,846</b>	<b>11,708</b>	<b>12,995</b>	<b>25,410</b>	<b>44,127</b>	<b>69,283</b>	<b>99,412</b>	<b>1,33,896</b>	<b>1,72,994</b>
EBITDA Margin (%)	69.3	71.6	69.2	69.7	68.9	71.5	74.6	74.1	74.5	72.6	70.9	70.1	69.8	69.8	70.0
Depreciation	569	579	882	1,174	1,329	1,427	1,540	1,721	1,979	3,297	4,457	5,634	6,631	7,629	8,626
<b>EBIT</b>	<b>1,422</b>	<b>2,247</b>	<b>4,171</b>	<b>6,777</b>	<b>5,509</b>	<b>6,624</b>	<b>8,306</b>	<b>9,988</b>	<b>11,016</b>	<b>22,113</b>	<b>39,670</b>	<b>63,649</b>	<b>92,781</b>	<b>1,26,268</b>	<b>1,64,368</b>
EBIT Margin (%)	49.5	57.0	57.1	59.4	55.5	58.8	62.9	63.2	63.2	63.2	63.8	64.4	65.1	65.8	66.5
<b>Net Profit</b>	<b>416</b>	<b>1,143</b>	<b>559</b>	<b>742</b>	<b>1,224</b>	<b>1,205</b>	<b>1,044</b>	<b>2,460</b>	<b>2,809</b>	<b>9,025</b>	<b>21,963</b>	<b>42,195</b>	<b>69,280</b>	<b>1,01,932</b>	<b>1,39,125</b>
Net Profit Margin (%)	14.5	29.0	7.7	6.5	12.3	10.7	7.9	15.6	16.1	25.8	35.3	42.7	48.6	53.2	56.3
Net Profit to EBITDA (%)	20.9	40.4	11.1	9.3	17.9	15.0	10.6	21.0	21.6	35.5	49.8	60.9	69.7	76.1	80.4
<b>Adjusted EPS</b>	<b>3.8</b>	<b>10.4</b>	<b>5.1</b>	<b>6.7</b>	<b>11.1</b>	<b>11.0</b>	<b>9.5</b>	<b>22.4</b>	<b>25.5</b>	<b>82.1</b>	<b>199.7</b>	<b>383.7</b>	<b>629.9</b>	<b>926.8</b>	<b>1,265.0</b>
P/E (X)	1,056.7	385.0	786.9	593.2	359.5	365.3	421.4	178.9	156.7	48.8	20.0	10.4	6.4	4.3	3.2
<b>Adjusted BVPS</b>	<b>26.8</b>	<b>55.1</b>	<b>42.1</b>	<b>47.5</b>	<b>55.4</b>	<b>62.3</b>	<b>106.8</b>	<b>128.1</b>	<b>151.8</b>	<b>396.2</b>	<b>963.9</b>	<b>1,976.2</b>	<b>3,467.9</b>	<b>5,345.9</b>	<b>7,416.8</b>
P/BV (X)	149.3	72.7	94.9	84.3	72.3	64.2	37.4	31.2	26.3	10.1	4.2	2.0	1.2	0.7	0.5
<b>Enterprise Value</b>	<b>4,54,788</b>	<b>4,56,074</b>	<b>4,68,940</b>	<b>4,71,227</b>	<b>4,74,638</b>	<b>4,77,393</b>	<b>4,70,666</b>	<b>4,72,075</b>	<b>4,74,803</b>	<b>4,73,039</b>	<b>4,26,431</b>	<b>3,26,403</b>	<b>1,64,035</b>	<b>(45,377)</b>	<b>(2,80,513)</b>
EV/EBITDA (X)	228.4	161.4	92.8	59.3	69.4	59.3	47.8	40.3	36.5	18.6	9.7	4.7	1.7	(0.3)	(1.6)
<b>Net Worth</b>	<b>2,947</b>	<b>6,056</b>	<b>4,635</b>	<b>5,220</b>	<b>6,090</b>	<b>6,857</b>	<b>11,751</b>	<b>14,088</b>	<b>16,700</b>	<b>43,579</b>	<b>1,06,016</b>	<b>2,17,344</b>	<b>3,81,406</b>	<b>5,87,948</b>	<b>8,15,712</b>
ROE (%)	14.1	18.9	12.1	14.2	20.1	17.6	8.9	17.5	16.8	20.7	20.7	19.4	18.2	17.3	17.1
<b>Capital Employed</b>	<b>11,921</b>	<b>16,485</b>	<b>28,180</b>	<b>32,745</b>	<b>35,880</b>	<b>39,727</b>	<b>43,251</b>	<b>45,588</b>	<b>50,200</b>	<b>75,079</b>	<b>1,06,016</b>	<b>2,17,344</b>	<b>3,81,406</b>	<b>5,87,948</b>	<b>8,15,712</b>
ROCE (%)	9.3	10.6	4.4	6.0	7.1	6.3	5.9	7.9	8.1	13.5	19.5	16.4	14.1	12.7	12.1
<b>Invested Capital</b>	<b>11,423</b>	<b>15,819</b>	<b>27,263</b>	<b>30,135</b>	<b>34,416</b>	<b>37,938</b>	<b>36,106</b>	<b>39,852</b>	<b>45,192</b>	<b>70,306</b>	<b>86,136</b>	<b>97,436</b>	<b>99,130</b>	<b>96,260</b>	<b>88,888</b>
ROIC (%)	12.4	14.2	6.9	10.2	9.3	9.1	9.3	12.1	12.0	19.3	32.2	48.9	72.7	103.9	148.1
ROIC (%)	13.9	18.9	(3.2)	41.8	2.9	7.3	5.2	38.5	11.2	44.5	117.7	242.3	(3,878.5)	(543.6)	(327.2)
<b>Cash Flow from Operations</b>	<b>2,189</b>	<b>2,198</b>	<b>2,591</b>	<b>5,437</b>	<b>3,784</b>	<b>4,097</b>	<b>4,652</b>	<b>6,180</b>	<b>7,080</b>	<b>14,313</b>	<b>25,668</b>	<b>46,953</b>	<b>75,000</b>	<b>1,08,602</b>	<b>1,46,739</b>
Cash Flow from Investing	(1,761)	(3,211)	(3,138)	(5,643)	(4,025)	(3,948)	132	(5,045)	(7,067)	(7,406)	(6,528)	(6,650)	(5,662)	(5,678)	(5,697)
Cash Flow from Financing	(455)	1,589	38	1,250	(745)	(235)	490	(2,643)	(797)	(6,134)	(5,930)	(15,612)	(32,562)	(58,101)	(93,214)
<b>Net Cash Flow</b>	<b>(27)</b>	<b>577</b>	<b>(509)</b>	<b>1,045</b>	<b>(986)</b>	<b>(86)</b>	<b>5,274</b>	<b>(1,507)</b>	<b>(783)</b>	<b>773</b>	<b>13,210</b>	<b>24,691</b>	<b>36,776</b>	<b>44,823</b>	<b>47,829</b>
<b>Free Cash Flow</b>	<b>311</b>	<b>1,310</b>	<b>1,359</b>	<b>482</b>	<b>(352)</b>	<b>14</b>	<b>(716)</b>	<b>483</b>	<b>(917)</b>	<b>6,313</b>	<b>18,987</b>	<b>35,025</b>	<b>55,294</b>	<b>77,232</b>	<b>1,01,951</b>
FCF to Revenue (%)	10.8	33.2	18.6	4.2	(3.5)	0.1	(5.4)	3.1	(5.3)	18.0	30.5	35.5	38.8	40.3	41.3
FCF to EBITDA (%)	15.6	46.4	26.9	6.1	(5.1)	0.2	(7.3)	4.1	(7.1)	24.8	43.0	50.6	55.6	57.7	58.9
FCF to Net Profit (%)	74.7	114.6	243.0	64.9	(28.7)	1.2	(68.6)	19.7	(32.7)	70.0	86.4	83.0	79.8	75.8	73.3
FCF to Net Worth (%)	10.6	21.6	29.3	9.2	(5.8)	0.2	(6.1)	3.4	(5.5)	14.5	17.9	16.1	14.5	13.1	12.5
CFO to EBITDA (%)	109.9	77.8	51.3	68.4	55.3	50.9	47.2	52.8	54.5	56.3	58.2	67.8	75.4	81.1	84.8
<b>Total Debt</b>	<b>8,975</b>	<b>10,428</b>	<b>23,545</b>	<b>27,525</b>	<b>29,791</b>	<b>32,870</b>	<b>31,500</b>	<b>31,500</b>	<b>33,500</b>	<b>31,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Debt</b>	<b>8,477</b>	<b>9,763</b>	<b>22,629</b>	<b>24,916</b>	<b>28,326</b>	<b>31,081</b>	<b>24,355</b>	<b>25,763</b>	<b>28,491</b>	<b>26,728</b>	<b>(19,880)</b>	<b>(1,19,909)</b>	<b>(2,82,276)</b>	<b>(4,91,688)</b>	<b>(7,26,824)</b>
Net Debt to Equity (X)	2.9	1.6	4.9	4.8	4.7	4.5	2.1	1.8	1.7	0.6	(0.2)	(0.6)	(0.7)	(0.8)	(0.9)
Net Debt to EBITDA (X)	4.3	3.5	4.5	3.1	4.1	3.9	2.5	2.2	2.2	1.1	(0.5)	(1.7)	(2.8)	(3.7)	(4.2)
Interest Coverage Ratio (X)	1.6	2.5	1.4	1.4	1.5	1.5	1.3	1.9	2.1	5.2	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	NA
Piotroski F-score (higher is better)	8.0	8.0	5.0	8.0	7.0	7.0	6.0	8.0	8.0	9.0	7.0	7.0	7.0	7.0	7.0
Altman Z-score (higher is better)	2.1	2.8	3.5	2.9	10.4	23.3	23.2	19.6	16.6	7.1	3.9	2.4	1.7	1.4	1.2
Beneish M-score (higher is better)	18.2	17.9	30.2	25.4	29.8	27.9	28.3	28.1	28.0	28.2	28.3	28.1	28.0	28.0	27.9

Source: Ventura Research

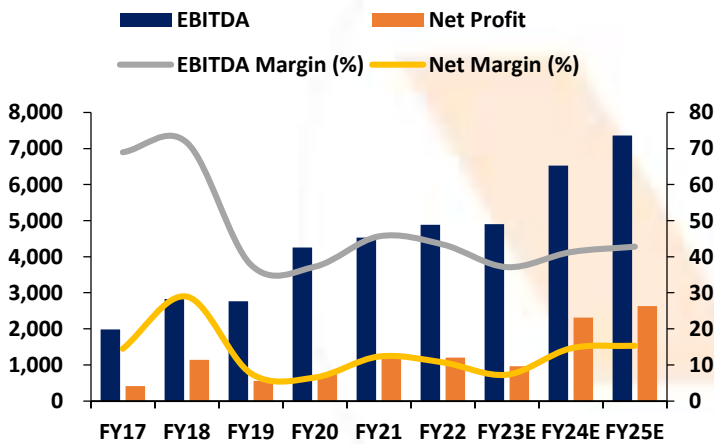
**Diversification will lead to faster revenue growth in the coming years**



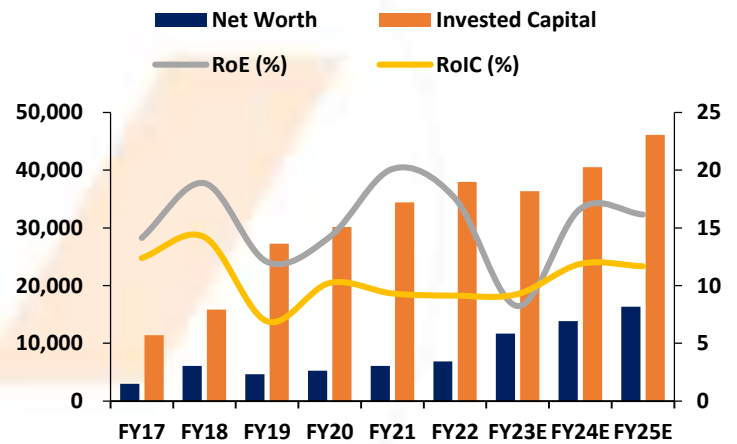
**Revenue share: Power distribution and smart meter to driver revenue**



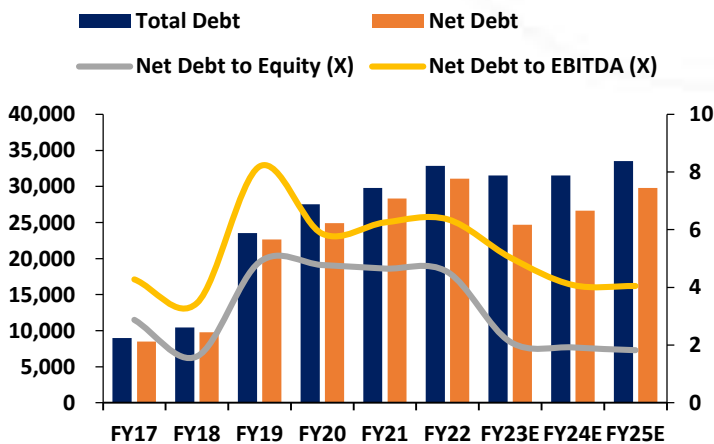
**Profitability to remain stable due to tariff based fixed cash flows from assets**



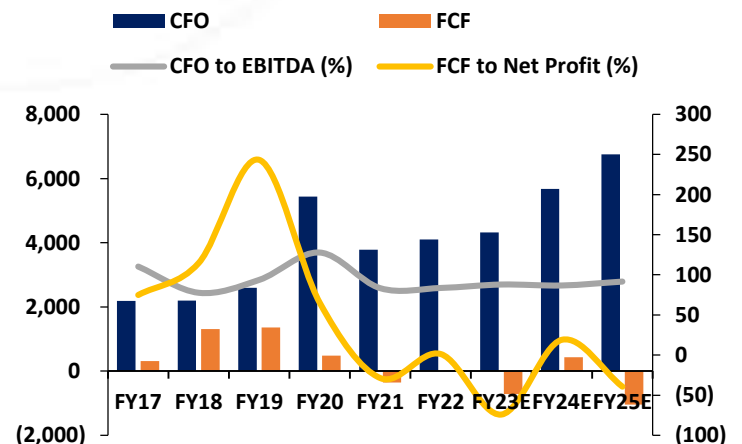
**Return ratios to follow profitability in the coming years**



**Debt repayment to be faster due to higher cash flows from TBCB projects**



**CFO to remain robust in the coming years due to improvement in EBITDA margins**



Source: Company Reports & Ventura Research

## Financial Analysis & Projections

Fig in INR Cr (unless specified)	FY21	FY22	FY23E	FY24E	FY25E	Fig in INR Cr (unless specified)	FY21	FY22	FY23E	FY24E	FY25E
<b>Income Statement</b>						<b>Per share data &amp; Yields/Performance</b>					
<b>Revenue</b>	<b>9,926</b>	<b>11,258</b>	<b>13,205</b>	<b>15,807</b>	<b>17,437</b>	Adjusted EPS (INR)	11.0	10.8	9.4	22.1	25.2
<i>YoY Growth (%)</i>	<i>-13.0</i>	<i>13.4</i>	<i>17.3</i>	<i>19.7</i>	<i>10.3</i>	Adjusted Cash EPS (INR)	22.9	23.6	23.2	37.5	42.9
Cost of Power Purchase	2,887	3,845	5,475	5,182	5,610	Adjusted BVPS (INR)	64.5	71.3	115.1	136.1	159.5
<i>Power Purchase to Sales (%)</i>	<i>29.1</i>	<i>34.2</i>	<i>41.5</i>	<i>32.8</i>	<i>32.2</i>	Adjusted CFO per share (INR)	33.9	36.7	41.7	55.4	63.5
Raw Material Cost	756	821	829	1,133	1,250	CFO Yield (%)	0.8	0.9	1.0	1.4	1.6
<i>RM Cost to Sales (%)</i>	<i>7.6</i>	<i>7.3</i>	<i>6.3</i>	<i>7.2</i>	<i>7.2</i>	Adjusted FCF per share (INR)	-3.2	0.1	-6.4	4.3	-8.2
Employee Cost	931	885	938	1,122	1,238	FCF Yield (%)	-0.1	0.0	-0.2	0.1	-0.2
<i>Employee Cost to Sales (%)</i>	<i>9.4</i>	<i>7.9</i>	<i>7.1</i>	<i>7.1</i>	<i>7.1</i>	CFO to EBITDA (%)	83.5	83.8	94.8	94.7	95.9
Other Expenses	1,402	1,500	1,592	1,844	1,954	FCF to Net Profit (%)	-28.7	1.2	-68.6	19.7	-32.7
<i>Other Exp to Sales (%)</i>	<i>14.1</i>	<i>13.3</i>	<i>12.1</i>	<i>11.7</i>	<i>11.2</i>	<b>Solvency Ratio (X)</b>					
Regulatory Deferral Account	-583	-682	-535	0	0	Total Debt to Equity	4.1	4.1	2.5	2.1	1.9
<i>RDA to Sales (%)</i>	<i>-5.9</i>	<i>-6.1</i>	<i>-4.0</i>	<i>0.0</i>	<i>0.0</i>	Net Debt to Equity	3.9	3.9	1.9	1.7	1.6
<b>EBITDA</b>	<b>4,533</b>	<b>4,889</b>	<b>4,906</b>	<b>6,527</b>	<b>7,385</b>	Net Debt to EBITDA	6.2	6.4	5.0	3.9	3.9
<i>Margin (%)</i>	<i>45.7</i>	<i>43.4</i>	<i>37.2</i>	<i>41.3</i>	<i>42.4</i>	Interest Coverage (X)	1.5	1.5	1.3	1.9	2.1
<i>YoY Growth (%)</i>	<i>6.6</i>	<i>7.8</i>	<i>0.4</i>	<i>33.0</i>	<i>13.1</i>	<b>Return Ratios (%)</b>					
Depreciation & Amortization	1,329	1,427	1,540	1,721	1,979	Return on Equity	20.1	17.6	8.9	17.5	16.8
<b>EBIT</b>	<b>3,204</b>	<b>3,461</b>	<b>3,366</b>	<b>4,806</b>	<b>5,406</b>	Return on Capital Employed	7.1	6.3	5.9	7.9	8.1
<i>Margin (%)</i>	<i>32.3</i>	<i>30.7</i>	<i>25.5</i>	<i>30.4</i>	<i>31.0</i>	Return on Invested Capital	9.3	9.1	9.3	12.1	12.0
<i>YoY Growth (%)</i>	<i>4.0</i>	<i>8.0</i>	<i>-2.8</i>	<i>42.8</i>	<i>12.5</i>	<b>Working Capital Ratios</b>					
Other Income	533	604	559	1,002	947	Payable Days (Nos)	46	52	50	50	50
Finance Cost	2,117	2,365	2,575	2,520	2,600	Inventory Days (Nos)	9	8	8	8	8
Exceptional Item	0	0	0	0	0	Receivable Days (Nos)	37	35	35	35	35
<b>PBT</b>	<b>1,620</b>	<b>1,700</b>	<b>1,351</b>	<b>3,287</b>	<b>3,753</b>	Net Working Capital Days (Nos)	0	-9	-7	-7	-7
<i>Margin (%)</i>	<i>16.3</i>	<i>15.1</i>	<i>10.2</i>	<i>20.8</i>	<i>21.5</i>	Net Working Capital to Sales (%)	0.1	-2.5	-1.9	-1.9	-1.9
<i>YoY Growth (%)</i>	<i>46.4</i>	<i>5.0</i>	<i>-20.6</i>	<i>143.4</i>	<i>14.2</i>	<b>Valuation (X)</b>					
Tax Expense	330	465	324	827	945	P/E	364.6	370.5	427.3	181.4	158.9
<i>Tax Rate (%)</i>	<i>20.4</i>	<i>27.3</i>	<i>24.0</i>	<i>25.2</i>	<i>25.2</i>	P/BV	62.0	56.1	34.7	29.4	25.1
<b>PAT</b>	<b>1,290</b>	<b>1,236</b>	<b>1,027</b>	<b>2,460</b>	<b>2,809</b>	EV/EBITDA	104.7	97.7	95.9	72.3	64.3
<i>Margin (%)</i>	<i>13.0</i>	<i>11.0</i>	<i>7.8</i>	<i>15.6</i>	<i>16.1</i>	EV/Sales	47.8	42.4	35.6	29.9	27.2
<i>YoY Growth (%)</i>	<i>82.5</i>	<i>-4.2</i>	<i>-16.9</i>	<i>139.6</i>	<i>14.2</i>	<b>Cash Flow Statement</b>					
Min Int/Sh of Assoc	-66	-31	18	0	0	PBT	1,620	1,700	1,351	3,287	3,753
<b>Net Profit</b>	<b>1,224</b>	<b>1,205</b>	<b>1,044</b>	<b>2,460</b>	<b>2,809</b>	Adjustments	2,709	2,567	3,658	3,669	4,240
<i>Margin (%)</i>	<i>12.3</i>	<i>10.7</i>	<i>7.9</i>	<i>15.6</i>	<i>16.1</i>	Change in Working Capital	-214	293	-32	52	32
<i>YoY Growth (%)</i>	<i>65.0</i>	<i>-1.6</i>	<i>-13.3</i>	<i>135.5</i>	<i>14.2</i>	Less: Tax Paid	-330	-465	-324	-827	-945
<b>Balance Sheet</b>						<b>Cash Flow from Operations</b>	<b>3,784</b>	<b>4,097</b>	<b>4,652</b>	<b>6,180</b>	<b>7,080</b>
Share Capital	1,100	1,100	1,115	1,115	1,115	Net Capital Expenditure	-3,952	-4,191	-4,800	-4,885	-6,973
Total Reserves	6,093	6,851	11,729	14,066	16,679	Change in Investments	-73	243	4,932	-160	-93
<b>Shareholders Fund</b>	<b>7,193</b>	<b>7,951</b>	<b>12,845</b>	<b>15,182</b>	<b>17,794</b>	<b>Cash Flow from Investing</b>	<b>-4,025</b>	<b>-3,948</b>	<b>132</b>	<b>-5,045</b>	<b>-7,067</b>
Long Term Borrowings	26,639	30,830	30,000	30,000	32,000	Change in Borrowings	1,372	2,130	-785	0	2,000
Deferred Tax Assets / Liabilities	1,186	1,414	1,414	1,414	1,414	Less: Finance Cost	-2,117	-2,365	-2,575	-2,520	-2,600
Other Long Term Liabilities	910	691	721	757	776	Proceeds from Equity	0	0	3,850	0	0
Long Term Trade Payables	32	32	34	35	36	Buyback of Shares	0	0	0	0	0
Long Term Provisions	585	617	627	657	674	Dividend Paid	0	0	0	-123	-197
<b>Total Liabilities</b>	<b>36,545</b>	<b>41,536</b>	<b>45,641</b>	<b>48,046</b>	<b>52,695</b>	<b>Cash flow from Financing</b>	<b>-745</b>	<b>-235</b>	<b>490</b>	<b>-2,643</b>	<b>-797</b>
Net Block	26,987	30,272	33,532	36,696	41,691	<b>Net Cash Flow</b>	<b>-986</b>	<b>-86</b>	<b>5,275</b>	<b>-1,507</b>	<b>-783</b>
Capital Work in Progress	5,240	5,060	0	0	0	Forex Effect	0	0	0	0	0
Intangible assets under developmer	15	0	0	0	0	Opening Balance of Cash	1,145	159	73	5,348	3,840
Non Current Investments	267	264	310	371	409	<b>Closing Balance of Cash</b>	<b>159</b>	<b>73</b>	<b>5,348</b>	<b>3,840</b>	<b>3,058</b>
Long Term Loans & Advances	2,023	2,872	3,120	3,427	3,604						
Other Non Current Assets	3,702	3,354	3,499	3,671	3,766						
Net Current Assets	-1,689	-286	5,180	3,880	3,225						
<b>Total Assets</b>	<b>36,545</b>	<b>41,536</b>	<b>45,641</b>	<b>48,046</b>	<b>52,695</b>						

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