

Torrent Power Ltd

Market Cap.
Rs.15,964 Cr.
52 Week H/L
Rs.369/240
CMP
Rs.332
Target Price
Rs.389

POWER

STOCK DATA

HOLD

 Reuters Code **TOPO.BO**
 Bloomberg Code **TPW IN**

 BSE Code **532779**
 NSE Symbol **TORNTPOWER**

 Face Value **Rs.10**

 Shares Outstanding **48.1 Cr.**

 Avg. Daily Volume (6m) **1350916 Shares**

Price Performance (%)

1M	3M	6M
(3)	3	(3)

200 days EMA Rs.316

SHARE HOLDING (%)

Promoters	53.6
FII/ MF	9.1
FI	19.5
Bodies Corporate	10.1
Public & Others	7.8

RESEARCH ANALYST

Dhruvin Upadhyay | +91 22 4093 4082
dhruvin.upadhyay@sushilfinance.com

Sales:

Devang Shah | +91 22 4093 6060/61
devang.shah@sushilfinance.com

Torrent Power Ltd. has reported numbers for the quarter ended December'20. Following are the highlights of the result.

Particulars	Q3FY21	Q3FY20	YoY	Q2FY21	QoQ
Net Sales	2,952.75	3,079.00	-4.1%	3,128.73	-5.6%
EBITDA	907.64	876.86	3.5%	748.49	21.3%
EBITDA Margin	30.74%	28.48%	226 Bps	23.92%	682 Bps
Profit before Tax	398.68	315.16	26.5%	229.99	73.3%
Profit after Tax	321.73	420.62	-23.5%	202.17	59.1%
PAT Margin	10.90%	13.66%	-276 Bps	6.46%	443 Bps
EPS	6.67	8.73	-23.6%	4.18	59.6%

Highlights from the Quarter (Q3FY21):

Net Sales for Q3FY21 stood at Rs. 2,952.75 Cr as against Rs. 3,079.00 Cr in Q3FY20 (down by 4.1% YoY) and against Rs. 3,128.73 Cr in Q2FY21 (down by 5.6% QoQ). Economic revival in Torrent's distribution areas has resulted in an increase in demand for electricity and the demand has almost reached the pre-covid levels in all distribution areas of the company.

EBITDA for the quarter stood at Rs. 907.64 Cr as against Rs. 876.86 Cr in the corresponding quarter last year (increase of 3.5% YoY) and against Rs. 748.49 Cr in the previous quarter (increase of 21.3% QoQ). The EBITDA margin for Q3FY21 was 30.74% against 28.48% in Q3FY20 (up by 226 bps) and against 23.92% in Q2FY21 (up by 682 bps) on account of improvement in operations and rising collection efficiencies in franchised distribution areas. The contribution from renewable generation improved as more capacities were added. Improvement in Profit before Tax was on account of reduction in interest expense due to lower debt and reduction in interest cost.

Net Income for Q3FY21 was Rs. 321.73 Cr as against Rs. 420.62 Cr in Q3FY20 (decrease of 23.5% YoY) and against Rs. 202.17 Cr in the previous quarter (increase of 59.1% QoQ).

OUTLOOK AND VALUATION

With resumption in economic activity in its distribution areas, Torrent Power has seen its operations normalize. Subsequently the margins have also moved closer to the pre-covid levels, and while T&D Losses and Collection Efficiencies haven't reached pre-covid levels yet, they have improved from the previous quarters. The Q3FY21 numbers were slightly better than our expectations therefore we maintain our outlook for Torrent Power, keeping our estimates unchanged. With the increase in the share price, we revise our rating to HOLD for the company with a target price of Rs.389 which is an upside of ~17% from the current price of Rs.332 over an investment horizon of 12-18 months.

Y/E Mar.	Revenue (Rs Cr)	EBITDA (Rs Cr)	APAT (Rs Cr)	AEPS (Rs.)	ROCE (%)	ROE (%)	P/E (x)	P/BV (x)
FY19	13,151	3,199	904	18.81	9.7	10.0	17	1.7
FY20	13,641	3,556	1,179	24.53	11.9	12.8	13	1.7
FY21E	11,958	3,499	1,106	23.02	12.5	11.4	14	1.6
FY22E	14,496	4,266	1,559	32.44	15.4	14.5	10	1.4



Profit & Loss Statement

(Rs. Cr)

Y/E Mar.	FY19	FY20E	FY21E	FY22E
Revenue	13,151	13,641	11,958	14,496
Electrical Energy Purchased	4,117	3,709	2,920	3,581
Fuel Cost	4,019	4,251	3,585	4,319
Raw Materials Consumed	470	306	188	243
Employee Cost	486	532	606	647
Other Expenses	859	1,287	1,161	1,439
EBITDA	3,199	3,556	3,499	4,266
<i>EBITDA Margin (%)</i>	<i>24%</i>	<i>26%</i>	<i>29%</i>	<i>29%</i>
Depreciation	1,227	1,304	1,268	1,332
EBIT	1,973	2,252	2,231	2,934
<i>EBIT Margin (%)</i>	<i>15%</i>	<i>17%</i>	<i>19%</i>	<i>20%</i>
Finance Costs	899	955	944	1,058
Other Income	190	178	157	203
Exceptional Items	-	(1,000)	-	-
Profit before Tax	1,264	475	1,445	2,079
Tax Expense	360	(704)	338	520
Net Profit	904	1,179	1,106	1,559
<i>Net Margin (%)</i>	<i>7%</i>	<i>9%</i>	<i>9%</i>	<i>11%</i>
EPS	18.81	24.53	23.02	32.44

Financial Ratio Statement

Y/E Mar.	FY19	FY20E	FY21E	FY22E
<u>Growth (%)</u>				
Revenue	14.2%	3.7%	-12.3%	21.2%
EBITDA	2.6%	11.1%	-1.6%	21.9%
Net Profit	-5.1%	30.4%	-6.1%	40.9%
<u>Profitability (%)</u>				
EBITDA Margin	24.3%	26.1%	29.3%	29.4%
Net Profit Margin	6.9%	8.6%	9.3%	10.8%
ROCE	9.7%	11.9%	12.5%	15.4%
ROE	10.0%	12.8%	11.4%	14.5%
<u>Per Share Data (Rs.)</u>				
EPS	18.81	24.53	23.02	32.44
BVPS	187.42	191.19	202.62	223.45
<u>Valuation (x)</u>				
P/E	17	13	14	10
P/BV	1.7	1.7	1.6	1.4
EV/EBITDA	7.6	6.5	6.8	5.6
P/SALES	1.18	1.14	1.30	1.07
<u>Turnover</u>				
Inventory days	32	26	37	31
Debtor days	34	34	52	37
Creditor days	41	45	55	55
<u>Gearing Ratio</u>				
Debt/Equity	1.0	0.8	0.8	0.8
Free Cash Flow to the Firm	2,920	5,368	4,190	2,886
Free Cash Flow to Equity	2,579	1,969	3,907	2,148

Source: Company, Sushil Finance Research

Balance Sheet Statement

(Rs. Cr)

Y/E Mar.	FY19	FY20E	FY21E	FY22E
PP&E (incl. CWIP)	18,356	18,122	18,050	18,225
Other Non-Current	1,613	678	656	1,058
Inventories	627	598	837	582
Trade Receivables	1,230	1,280	1,708	1,450
Cash and Bank Balances	328	280	232	247
Other Current Assets	2,400	2,665	1,929	2,610
Total Assets	24,554	23,623	23,412	24,172
Equity Share Capital	481	481	481	481
Reserves & Surplus	8,527	8,709	9,258	10,259
Borrowings (LT & ST)	8,877	7,800	8,191	8,263
Other Non-Current Liabilities	2,783	1,931	291	291
Trade Payables	810	1,038	1,217	1,018
Other Financial Liabilities	2,418	2,790	2,845	2,902
Other Current Liabilities	601	584	837	667
Current Tax Liab & Provisions	59	292	292	292
Total Liabilities	24,554	23,623	23,412	24,172

Cash Flow Statement

(Rs. Cr)

Y/E Mar.	FY19	FY20E	FY21E	FY22E
PBT	1,264	475	1,445	2,079
Depreciation	1,227	1,304	1,268	1,332
Interest	899	955	944	1,058
CFO before Working Cap chg	3,389	2,734	3,656	4,469
Chg in Inventories	(172)	29	(238)	255
Chg in Investments	54	19	10	(54)
Chg in Trade Receivables	(99)	(50)	(429)	259
Chg in Other Financial Assets	(928)	(246)	706	(592)
Chg in Other Current Assets	0	(38)	21	(35)
Chg in Short Term Borrowings	300	(297)	415	(129)
Chg in Trade Payables	151	228	179	(199)
Chg in Other Fin Liabilities	935	372	56	57
Chg in Other Current Liabilities	23	(17)	253	(170)
Income Taxes Paid	(360)	704	(338)	(520)
Other Adjustments	(870)	(35)	-	-
Cash Flow from Operations	2,425	3,635	4,291	3,341
Chg in Long Term Borrowings	13	(780)	(23)	200
Chg in Deferred Tax Liabilities	82	(1,013)	(549)	-
Chg in Other Non-Current Liabilities	142	108	(1,090)	-
Interest Paid	(899)	(955)	(944)	(1,058)
Dividend Paid	(276)	(641)	(558)	(558)
Other Adjustments	1,258	721	-	-
Cash Flow from Financing	(617)	(2,506)	(3,164)	(1,416)
Capital Expenditure	(1,334)	(1,070)	(1,196)	(1,508)
Chg in Investments	(95)	172	(63)	(38)
Chg in Loans	(0)	(159)	(3)	(24)
Chg in Other Non-Current Assets	(370)	702	88	(341)
Other Adjustments	205	(1,019)	-	-
Cash Flow from Investing	(1,828)	(1,154)	(1,174)	(1,910)
Opening Cash	137	116	91	43
Total Cash Flow	(20)	(25)	(48)	15
Closing Cash	116	91	43	58

Source: Company, Sushil Finance Research

Earlier Recommendation

Date	Report Type	Reco	Price (Rs.)	Target (Rs.)
7-Dec-20	Q2FY21 Update	Buy	324	389
15-Oct-20	Initiating Coverage	Buy	298	389

Rating Scale :

This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)	BUY : Over 20%	HOLD : 0% to 20%	SELL : 0% to -20%
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Research Analyst – SEBI Registration No. INH000000867

Regd. Office : 12, Homji Street, Fort, Mumbai 400 001.

Phone: +91 22 40936000 Fax: +91 22 22665758

Email : info@sushilfinance.com

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Sushil Financial Services Pvt. Ltd and Group Directors Holding	Yes
Broking Relationship with the company covered	No