Dated: 6 Nov 2025

Power Grid Corporation of India (PWGR) – SELL

Q2FY26 Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs.279	**Rs.260**

Rationale:

- PWGR continued to deliver weak earnings; Q2FY26 PAT declining 6% yoy to Rs3566cr on back of muted asset capitalization of ~Rs2200cr (~Rs9000cr in trailing 12 months).
- Strong capex trends with Rs8400cr (+56% yoy) spent in Q2FY26 alone, coupled with new project wins keep us optimistic of prospects going forward.
- Maintained capex guidance of Rs28000/35000cr for FY27/28E citing challenges in land acquisition and equipment supply.
- Valuations at 2.4X P/B and 14.6X P/E on FY27E have come off but are still pricey.
- Maintain SELL with revised SoTP-based FV of Rs260 (from Rs270), as we roll forward.

Positives:

- India plans to incur Rs6.4 lakh cr transmission capex for 76 GW of hydro/ PSP plants at the Brahmaputra Basin.
- PWGR has work in hand of Rs1.53 lakh cr, comprising TBCB projects of over Rs1 lakh cr.
- PWGR offers a steady earnings profile and healthy dividend yield (3.2% in FY27E).
- Healthy capex spends, with further pick-up expected over the coming quarters.
- PGCIL's valuations have come off post the recent weakness in the stock price.

Negatives:

- Flat earnings in the last three years, with H1FY26 also tracking weak.
- Capitalization continued to be weak in Q2FY26, capitalization guidance for 2026E lowered to Rs20000cr.
- Power Grid's project approvals were modest in Q2FY26.

(GW: Gigawatt, P/E: Price to earnings, EBITDA: Earnings before interest depreciation and tax, P/BV: Price to Book Value, SoTP: Sum of the parts, Profit After tax, TBCB: Tariff based competitive bidding, PSP: Pump Storage Plants)

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

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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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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