

Torrent Power Ltd.

₹ 171

Da' age of new Possibilities ! Accumulate

Aug 07, 2015

Company Background

Torrent Power is one of the leading brands in the Indian power sector, promoted by the Torrent Group. Torrent has a generation capacity of 3250 MW and distributes power to more than 2.9 million customers annually in Ahmedabad, Gandhinagar, Surat, Bhiwandi and Agra. With an all-round experience in generation, transmission and distribution of power, and a proven track record of implementing large power projects, Torrent Power is the most experienced private sector player in Gujarat. The company currently has 4 subsidiaries four subsidiaries: Torrent Power Grid Ltd, Torrent Pipavav Generation Ltd, Torrent Solargen Ltd and Torrent Energy Ltd. The company recently commissioned 1,200 MW combined cycle gas based DGEN Power Project at Dahej SEZ, District Bharuch in Gujarat, through its subsidiary Torrent Energy Limited. Torrent Power has a history of taking over ailing power units and turning them around into profitable enterprises. It is also aggressively exploring the areas of distribution franchising and in look out for more opportunities in the Power Sector.

Key Highlights

- ➔ Torrent Power's consolidated net profit for the QE June 30 2015, has more than doubled to Rs 1.73 bn. The Group has performed superb in compared to Rs 862 mn net profit for the QE June 30, 2014.
- ➔ This bumper profit of the company comes with another good news that DGen the greenfield power plant of Torrent Power located at Dahej has been awarded allocation of gas for a period of 4 months from the period 1st June 2015 till 30th Sep 2015. This will further add up to profitability as currently the project was standed for want of gas as a fuel. The strategically located Plant otherwise has close proximity to other infrastructure and trading markets.
- ➔ Distribution Franchise business is one area which Torrent Power has been aggressively pursuing as part of its expansion plans. It entered into the country's first distribution franchisee agreement with Maharashtra State Electricity Distribution Company Limited for Bhiwandi Circle in December 2006. It has also been awarded the distribution franchise for Agra and Kanpur in Uttar Pradesh and has already commenced distribution operations in Agra.

Key Financials

Year Ended 31 st	Mar 13	Mar 14	Mar 15
Revenue (INR mn)	82,699.7	88,239.8	1,05,969.7
Rev. growth (%)	3.1	6.7	20.1
EBITDA (INR mn)	15,545.1	15,375.4	24,089.7
Net profit (INR mn)	3,849.6	948.4	7,420.6
Shares outstanding (mn)	472.5	472.5	472.5
EPS (INR)	8.1	2.0	15.7
EPS growth (%)	1.9	(75.4)	682.4
P/E (x)	17.2	46.7	10.4
RONW (%)	5.3	1.1	7.6
ROCE (%)	3.1	0.6	4.0

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Info Codes

Reuters	: TOPO.BO
Bloomberg	: TPW@IN
NSE	: TORNTPOWER
BSE	: 532779

Market Data

52 Wk Range (₹)	: 121 / 187
Shares in Issue (mn)	: 472.5
Mkt. Cap (₹ bn)	: 81.40
BSE 2 Wk Avg Vol	: 205000

Share Holding Pattern (%)

Promoters	: 53.44
FII's	: 4.25
DII's	: 20.70
Others	: 21.61

Investment Theme

Torrent Power is one of the leading brands in the Indian power sector, promoted by the Torrent Group. The company has an all-round experience in generation, transmission and distribution & proven track record of implementing large power projects. It is the most experienced private sector player in Gujarat. It has commissioned very recently DGEN a 1200 MW greenfield gas powered plant at Dahej. The plant has built in features and a state of the art technology. Many other measures have been taken up to enhance the plant efficiency to the optimum. The plant is strategically located in the Dahej SEZ and has close proximity to all the required infrastructure, fuel sources and power offtake. DGEN has just received its first award of gas for 4 months from 1 Jun 2015. If the plant runs smoothly, we expect this venture to bring out many more possibilities to Torrent Power.

Dahej me kya mila?

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 13	Mar 14	% Chg	Mar 15	% Chg
Total Sales + Excise	79972.1	85224.5	6.57	99738.3	17.03
Other Income	2607.8	2840.9	8.94	5799.2	104.13
Change in Stocks	0.0	0.0	-	0.0	-
Raw Material Con.	24762.6	24042.2	(2.91)	26830.0	11.60
Employee Exp.	2490.0	2703.3	8.57	3381.5	25.09
Indirect Taxes	195.5	114.7	(41.33)	77.8	(32.17)
Other Exp.	40064.6	46274.0	15.50	51695.7	11.72
Operating Exp.	67512.7	73134.2	8.33	81985.0	12.10
Operating Profit	12459.4	12090.3	(2.96)	17753.3	46.84
Total Interest	4084.8	6771.8	65.78	7061.6	4.28
Gross Profit	10982.4	8159.4	(25.70)	16490.9	102.11
Net Dep.	4759.6	5629.8	18.28	5399.9	(4.08)
Total Taxation	2373.2	1581.2	(33.37)	3670.4	132.13
Net Profit/Loss	3849.6	948.4	(75.36)	7420.6	682.43

4 Years Balance Sheet

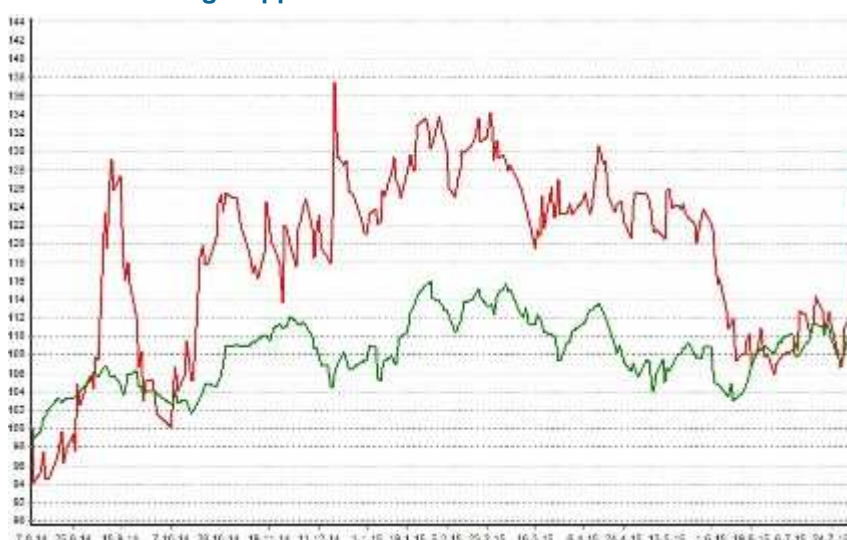
(₹ mn)

Balance Sheet as on 31 st	Mar 12	Mar 13	Mar 14	Mar 15
SOURCES OF FUNDS	94,518.3	1,10,538.9	1,23,389.7	1,25,637.6
Equity Share capital	4,724.5	4,724.5	4,724.5	4,724.5
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	52,754.3	56,178.4	57,041.1	64,362.1
Long Term Loans	37,039.5	49,194.6	61,489.6	56,293.4
Short Term Loans	0.0	441.4	134.5	257.6
USES OF FUNDS	94,518.3	1,10,538.9	1,23,389.7	1,25,637.6
Gross Block	89,347.3	95,357.7	1,21,005.4	1,24,361.0
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	18,386.0	22,581.5	28,026.3	33,356.0
Net Block	70,961.3	72,776.2	92,979.1	91,005.0
Capital Work in Progress	13,372.2	20,746.7	1,181.5	1,659.9
Investments	12,702.4	17,128.3	26,118.8	26,576.1
Current Assets	22,834.6	27,750.5	34,349.0	40,894.8
Less : Current Liabilities	25,352.2	27,862.8	31,238.7	34,498.2
Total Net Current Assets	(2,517.6)	(112.3)	3,110.3	6,396.6
Misc. Expenses not writtenoff	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	10,431.7	13,881.4	21,123.4	21,924.4
Mkt Val. Quoted Investments	2,286.4	3,255.4	5,010.5	4,689.9
Contingent Liabilities	16,109.6	13,257.9	4,406.0	5,041.3
Dividend (%)	0	20	5	15

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 14	Sep 14	Dec 14	Mar 15
Net Sales	26691.8	25018.1	25712.3	29241.3
Cost Of Sales	23065.6	19391.1	18636.9	22243.2
Operating Profit	3626.2	5627.0	7075.4	6998.1
Recurring Income	666.1	708.3	1234.0	550.9
Adjusted PBDIT	4292.3	6335.3	8309.4	7549.0
Financial Expenses	1815.4	1762.2	1669.3	1664.3
Depreciation	1365.7	1366.4	1375.2	1388.2
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	1111.2	3206.7	5264.9	4496.5
Tax Charges	541.1	853.3	1645.1	1404.7
Adjusted PAT	570.1	2353.4	3619.8	3091.8
Non Recurring Items	0.0	0.0	74.5	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	570.1	2353.4	3694.3	3091.8

52 Week Index Relative Percentage Appreciation

Torrent Power vs SENSEX
Points to Ponder

- For Indian economy to grow at 9 %, the power sector should grow at 8.1 % p.a. So, it becomes essential for the Government to promote the power sector by solving the challenges faced by it & marking its future growth drivers. The power sector consists of generation, transmission and distribution utilities and is a crucial component of India's infrastructure. India's rapid growth over the past decade has increased power demand, which is still largely unmet. The nation's per capita power consumption is nearly 4 times lower than the global average and the Government is trying to improve it through large scale power projects and rural electrification.
- India's power generation capacity has significantly increased since 2008, and is also expected to show a strong growth in the future. However, the main problems with India is the power deficit of approximately 8.5% and a peak demand deficit of over 10% primarily due to fuel shortage. Therefore, it is essential for the government to work proactively to increase the sector's generation capacity in a sustainable manner by addressing key challenges, such as supply shortage and distribution losses without damaging the environment, to attain a high growth rate. Key emerging developments in the power sector include the use of more efficient and environment friendly supercritical technology in thermal projects. Approximately 60 per cent of the total capacity addition is expected to use supercritical technology for electricity production. Further, focus is increasingly shifting to cleaner forms of generation such as renewable, hydro or nuclear sources with the Government proactively encouraging electricity supply companies to adopt the Renewable Purchase Obligation (RPO) scheme.

Torrent Power

In a Nutshell

Torrent Power is one of the leading brands in the Indian power sector. It has an all-round experience in generation, transmission and distribution of power, and a proven track record of implementing large power projects. It also has a history of turning around ailing power companies. Torrent Power foresaw the prospects in the power sector much before the liberalization, when it took-over an ailing power cable company in 1989 (now known as Torrent Cables Limited) and successfully turned it around. The high points of Torrent's foray into power however were the acquisitions of two of the India's oldest utilities – The Surat Electricity Company Ltd and The Ahmedabad Electricity Company Ltd. Torrent turned them into first rate power utilities comparable with the best, in terms of operational efficiencies and reliability of power supply. Torrent currently has a generation capacity of 3250 MW and distributes power to more than 2.9 million customers annually in Ahmedabad, Gandhinagar, Surat, Bhiwandi and Agra. Distribution Franchise business is one area which Torrent Power has been aggressively pursuing for expansion. Torrent Power was appointed the country's first distribution franchisee for Bhiwandi Circle. It has also been awarded the distribution franchise for Agra and Kanpur in Uttar Pradesh and has already commenced distribution operations in Agra. Recently the company implemented a 1200 MW gas based power project at Dahej in South Gujarat. The project is strategically located and has been awarded gas supply recently. We feel this project should bring in a lot of possibilities for the company.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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