

September 17, 2012

## POWER GRID CORPORATION OF INDIA LTD.

BSE Code: 532898      NSE Code: POWERGRID      Reuters Code: PGRD.NS      Bloomberg Code: PWGR:IN

The state-run Power Grid Corporation of India Ltd (POWERGRID) was incorporated in 1989 for transmission of electric power across the country. POWERGRID has transmission line capacity of 93,000 ckm of which 34,000 ckm was added in 11th 5 year plan with system availability of 99.9%. Further, the current transformer capacity stands around 1,25,000 MVA of which 66,000 MVA was added in 11th 5 year plan. Presently, power grid carries about 50.0% of total power generated in India.

### Investor's Rationale

**Net profit surged by 23.4% YoY on higher operating income and healthy performance by transmission business**

POWERGRID has reported an growth in net profit by 23.4% YoY at ₹8.7 billion against ₹7.1 billion, mainly due to a massive rise in operating income and a profit rise (before tax and interest) in transmission business by 31.1% and 33.3% to ₹28.9 billion and ₹17.0 billion respectively. Net profit was further assisted by the surge in consultancy services and telecom sector by 53.1% and 40.5% to ₹0.3 billion and ₹0.2 billion respectively. On the other hand, NPM contracted by 93bps YoY to 29.2% from 30.1% on the back of a sharp decline in other income by 33.8% to ₹0.9 billion. Also, interest and depreciation cost, grew up by 55.8% and 30.7% to ₹6.5 billion and ₹7.6 billion respectively.

**Top-line rose by 31.1% YoY on healthy performance across the segment**

POWERGRID reported a surge in its net revenue by 31.1% YoY at ₹28.9 billion from ₹22.0 billion, primarily on account of a vigorous turnover from all the sectors. In line with this, revenue from transmission business, consultancy services and telecom sector grew by 29.3%, 23.7% and 12.7% to ₹28.2 billion, ₹0.6 billion and ₹0.6 billion respectively.

**EBITDA grew by 35.4% YoY on lower operating expenses**

EBITDA of the company registered a growth of 35.4% YoY at ₹24.6 billion against ₹18.2 billion, due to lower operating expenses. As a % of sales, the employee benefit expense and transmission, administration & other expenses fell by 183bps and 87bps to 7.7% and 6.9% respectively. Thus, OPM expanded by 270bps YoY to 85.3% against 82.6%.

**POWERGRID signed Share Holders Agreement**

POWERGRID has signed Share Holders Agreement (SHA) in order to establish two joint venture companies for implementation of 400 kv D/C transmission line between India and Nepal.

### Market Data

CMP (₹)	117.6
Target Price	135
Stop Loss	110
Duration	Mid-term
52-week High-Low (₹)	124.4/94.5
Rise from 52WL (%)	25.5
Correction from 52WH (%)	4.8
Beta	0.6
1 year Average Volume (mn)	3.0
	3M-
Stock Return (%)	10.7
	6M-
	9.6
	9M-
	20.4
Market Cap (₹bn)	544.5
Enterprise Value (₹bn)	1,054.0

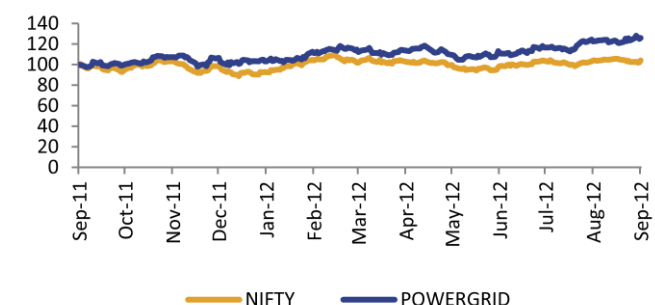
### Shareholding Pattern

	Jun'12	Mar'11	Chg
Promoters (%)	69.4	69.4	-
FII (%)	13.1	12.9	0.2
DII (%)	7.8	8.0	(0.2)
Public & Others (%)	9.7	9.7	-

### Quarterly Performance (Standalone)

(₹ bn)	Q4 FY'12	Q4 FY'11	Q3 FY'12	YoY Change(%)	QoQ Change(%)
Net sales	28.9	22.0	31.0	31.1	(6.9)
Op. exp	4.2	3.8	5.0	10.7	(14.9)
EBITDA	24.6	18.2	26.0	35.4	(5.3)
OPM (%)	85.3	82.6	83.9	270bps	139bps
Net profit	8.7	7.1	10.3	23.4	(15.7)
NPM (%)	29.2	30.1	30.3	(93bps)	(107bps)
EPS	1.9	1.5	2.2	23.7	(15.7)

### One Year Price Chart





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