

Power Grid Corporation : Invest for long - term view

Note: Mini Navratna : Plan to invest over Rs. 1.1 Lakh Crores

Rating; Company Fundamentals : * Valuations : *****

Issue details

IPO Opening Date	09/11/10
IPO Closing Date	12/11/10

Valuations & Recommendation

A Mini-Ratna, is entering the capital market on 09-11-10 with further public issue of shares. The issue closes on 12-11-10. The company has set price band Rs.85-90 and retail investors will get 5% discount.

In the last 52 week the share has touched a high of Rs 121 and low of Rs.95/- and currently trading around Rs 100/-. Retail investors are eligible for 5% discount. The company has a decent dividend payment record.

At the upper price band, the share is trading nearly 15 times of its TTM EPS of Rs.6.22. The company, on the post issue capital of Rs.4629.72 cr, will be able to maintain an EPS around 5 in the coming years. There will be listing gains taking into consideration the discount offered to the retail investors. The company operates in power sector, which is a high growth segment.

Looking to its operations and fundamentals we recommend to subscribe in the IPO for study and stable return. Also accumulate this stock in dips for handsome returns over long term.

Highlights

- The World Bank had ranked Power Grid as the world's third largest transmission utility in January 2009.
- The company owns and operates more than 95% of India's interstate and inter-regional electric power transmission system (ISTS)
- Retail investors are eligible for 5% discount.
- The company operates in power sector, which is a high growth segment
- The company has a decent dividend payment record.

Company Introduction PROFILE

POWERGRID Corporation of India Ltd has been carrying out its responsibilities efficiently in the Construction, Operation & Maintenance of inter-State transmission systems and operation of Regional Power Grids. It has been notified as the Central Transmission Utility (CTU) of the country. Based on its impeccable performance in a short span of time, POWERGRID was recognized as the Miniratna Category-I PSU by GoI w.e.f. Oct'98. POWERGRID has achieved many milestones & established benchmarks in various areas of its business operations and now plays a strategic role in the Indian Power Sector in establishing & maintaining the transmission infrastructure. Recognising POWERGRID's sterling performance, the Government of India conferred the status of "Navratna" to POWERGRID w.e.f 1st May, 2008.



BUSINESS

The company owns and operates more than 95% of India's interstate and inter-regional electric power transmission system (ISTS). In that capacity, the company currently owns and operates 79,556 circuit kilometers of electrical transmission lines and 132 electrical substations. In Fiscal 2010, Power Grid transmitted approximately 363.72 billion units of electricity, representing approximately 47% of all the power generated in the country. In the six months ended September 30, 2010, the company transmitted approximately 202.59 billion units of electricity, representing approximately 51% of all the power generated in the country. The World Bank had ranked Power Grid as the world's third largest transmission utility in January 2009.

Development & Future Projects

Based on generation capacity targeted during the Eleventh Five Year Plan, the company plans on capital expenditure of aggregate amount up to Rs. 295,594.8 million for expansion in Fiscal 2011 and Fiscal 2012. From April 1, 2010 to September 30, 2010 it had invested Rs. 36,824.6 million. The company plan to invest over Rs. 1.1 Lakh Crores on transmission infrastructure during the 12th Plan, subject to Govt. approvals. Projects valuing Rs. 75,000 Crores have already been firmed up for commissioning in the 12th Plan, including 9 High Capacity Transmission corridors for IPP Projects in Orissa, Chhattisgarh, Sikkim, Andhra Pradesh, Madhya Pradesh, Tamil Nadu and Jharkhand with estimated cost of Rs. 52,000 Crores, transmission systems for Ultra Mega Projects (viz. Tillaiyya & Krishnapatnam) with estimated cost of Rs. 25,000 Crores and other Central Sector Projects with estimated cost of Rs. 17,000 Crores.

Financial Summary

Particulars	Q2FY11	FY10	FY09
Sales	2,126.63	7127.45	5689.99
OPM (%)	89.11	86.28	87.26
Net Profit	651.4	2040.94	1690.61
EPS (Rs)	6.22 *	4.85	4.02

* annualised

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

Financial Performance

The company's financial performance during FY 2009-10 has been spectacular, achieving a turnover of Rs. 7,504 Crore and a Net Profit of Rs. 2041 Crore as compared to Rs. 6139 Crore and Rs. 1691 Crore respectively during FY 2008-09. At the end of FY 2009-10, the company has a Net Worth of Rs 15,914 Crore.

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