



Power Grid Corporation of India

FPO Fact Sheet

Issue details

Issue opens	: November 09, 2010
Issue closes	: For QIB category, November 11, 2010
	: For retail and HNI categories, November 12, 2010
Issue size	: 841,768,246 shares
Face value	: Rs10 each
Break-up of public offer	
QIB's portion	: 50%
Retail portion	: 35%
Non-institutional portion	: 15%
Price band	: Rs85-90 per share
Issue size	: Rs7,155-7,576 crore
Discount to retail investor	: 5% on price band

reduce to 69.4% post-issue from 86.4% presently. Retail investors and employees will get equity shares at a 5% discount to the final issue price.

Object of the issue

The issue comprises a fresh issue by the company and an offer for sale by the selling shareholder.

The offer for sale

The object of the offer for sale is to carry out the disinvestment of 420,884,123 equity shares by the selling shareholder. PGCIL will not receive any of the proceeds from the offer for sale.

The fresh issue

The objects of the fresh issue are to:

- To meet the capital requirements for the implementation of certain identified transmission projects ("Identified Projects"); and
- General corporate purposes

Power Grid Corporation of India Ltd (PGCIL), a government owned leading transmission utility company, is coming with a public offering of 84.2 crore equity shares of Rs10 each. This includes a reservation of 33.9 lakh equity shares for its employees. The offering would constitute 18.2% of the paid-up capital of the company. The government holding will

Shareholding pattern

Particulars	Pre-offer		Post-offer	
	No of shares	% shareholding	No of shares	% shareholding
President of India	3,634,908,335	86.4	3,214,024,212	69.4
Institutions	308,684,960	7.3	727,874,283	15.7
Public and others	259,150,471	6.2	678,339,794	14.7
Employees	6,097,464	0.1	9,487,064	0.2
Total	4,208,841,230	100.0	4,629,725,353	100.0

Capex plans and funding

Rs (crore)

Particulars	Total estimated cost	Amount deployed as of September 30, 2010		Amount proposed to be financed	
		Equity	Debt	From net proceeds	From debt and internal accruals
Fund expenditure to meet capex for identified projects	22,649	2,647	7,131	3,800	9,071
Fund expenditure for general corporate purposes	*	-	-	*	-
Total	*	2,647	7,131	*	9,071

*To be finalised on determination of final price

Company background

Incorporated in 1989, PGCIL is India's principal electric power transmission company which owns and operates more than 95% of India's interstate and inter-regional electric power transmission system (ISTS). In FY2010, it transmitted approximately 363.72 billion units of electricity, representing approximately 47% of all the power generated in India. At the end of H1FY2011, it owned and operated 79,556 circuit kilometer of electrical transmission lines and 132 electrical sub-stations. The company has also been entrusted by the Government of India (GoI) with the statutory role of Central Transmission Utility (CTU). As CTU, it operates and is responsible for the planning and development of the country's nationwide power transmission network, including interstate networks.

Investment positives

Leadership position in Indian power transmission sector

- PGCIL owns and operates more than 95% of India's ISTS. Currently, it operates a network of about 79,556 circuit kilometer of interstate transmission lines, 132 EHV AC and HVDC sub-stations with transformation capacity of about 89,170MVA and during H1FY2011 it transmitted about 51% of all the power generated in India.
- Under the 11th Five-Year Plan, PGCIL has plans for capital expenditure (capex) of Rs55,000 crore in the transmission space, which is expected to cross Rs1 lakh crore in the 12th Five-Year Plan.

High operational efficiencies

- The company has maintained an average availability of over 99% for the transmission system since FY2002 and has not had a major grid disturbance (an interruption affecting an entire region or an inter-regional transmission system) since January 2003.
- High levels of system availability helps to earn additional income under certain incentive mechanisms built into its tariff structures pursuant to the Central Electricity Regulatory Commission (CERC) tariff regulations.

Key operating parameters

Particulars	FY08	FY09	FY10	H1FY11
Transmission Network (circuit kilometers)	66,809	71,437	75,289	79,556
Substations (number)	111	120	124	132
Transformation capacity (MVA)	73,122	79,522	83,402	89,170
System availability (%)	99.65	99.55	99.77	99.86

Sound business model and favourable competitive landscape

- The company recovers operating and maintenance charges as determined by CERC tariff regulations. Its transmission tariffs are presently determined under the FY2010-14 regulations on a cost plus tariff basis and provide a 15.5% return on equity until March 31, 2014. It also earns additional incentives for the timely commissioning of transmission projects and for maintaining high system availability pursuant to the CERC norms.
- Further, as PGCIL has been designated as the CTU by the GoI, it has no direct competitor of significant size for the transmission business.

Diversified business portfolio

Consultancy division

Backed by its established track record and technical expertise, this division has provided transmission-related consultancy services to over 115 clients in over 330 domestic and international projects. PGCIL is currently involved in 63 domestic consultancy contracts of various sizes. Its client list includes utilities like NTPC, GMR Energy, Adani Power, Jindal Power, Jaiprakash Power Ventures, EPTCL-Transmission Business and Lanco Power. PGCIL is currently involved in 12 international consultancy projects in countries as diverse as Afghanistan, Bangladesh, Nigeria, Bhutan, the United Arab Emirates, Sri Lanka and Nepal.

Telecommunications business

PGCIL has also leveraged its nationwide transmission system to create an overhead fibre-optic telecommunications cable network using optical ground wire on power transmission lines. As on September 30, 2010, the network consisted of 20,733 kilometer and connected 129 Indian cities, including all major metropolitan areas.

Short-term open access

PGCIL has been charging short-term open access customers a fee for the scheduling of their access through the relevant load despatch centers. All bilateral transactions are undertaken through the Regional Load Despatch Centres while the transactions facilitated by the power exchanges are undertaken by National Load Despatch Centre. Merchant power plants and captive power plants across the country have taken advantage of the short-term open access. Since the introduction of the short-term open access in interstate transmission in May 2004, more than 40,000 bilateral transactions have taken place and more than 152,500 MUs have been exchanged.

Particulars	Rs (cr)					
	FY09	FY10	% YoY	H1 FY10	H1 FY11	% YoY
Transmission charges	5283	6576	24.5	3203	3776	17.9
Consultancy revenue	216	269	24.7	96	152	58.2
Telecom revenue	150	158	5.3	81	89	10.2
Short-term open access income	41	124	199.8	36	109	204.6
Other income	449	376	-16.2	200	247	23.6
Total income	6139	7504	22.2	3615	4373	21.0

Key concerns

- ♦ A large part of PGCIL's business transactions are with government entities or agencies, which may expose it to risks, including additional regulatory scrutiny, delayed receipt of collectibles and pricing pressure.
- ♦ Transmission projects require huge outlay. Any inability to raise money or delay in power projects would adversely affect its growth plans.
- ♦ Most of its transmission revenues are governed by CERC tariff regulations. Any unfavourable change would adversely affect the profitability of the company.

Financial

Profit & Loss A/c

Rs (cr)

Particulars	FY2009	FY2010	% YoY	H1FY2010	H1FY2011	%YoY
Total income	5690	7127	25.3	3416	4126	20.8
Operating expenditure	1102	1256	14.0	568	658	15.8
Operating profit	4588	5871	28.0	2847	3468	21.8
OPM (%)	80.6	82.4		83.4	84.1	
Other income	449	376		200	247	
EBITDA	5037	6247	24.0	3047	3715	21.9
Depreciation	1094	1980	81.0	1049	1046	-0.3
EBIT	3943	4268	8.2	1998	2669	33.6
Interest and finance charges	1642	1543	-6.0	769	809	5.2
Deferred revenue exp. written off	2	2		1	1	
PBT before prior period adj.	2299	2723		1228	1859	
Less prior period expenditure	70	96		-1	2	
PBT	2229	2626	17.8	1229	1857	51.1
Total taxes	538	585	8.8	222	502	126.1
PAT	1691	2041	20.7	1007	1355	34.6
PAT margin (%)	29.7	28.6		29.5	32.8	
Tax rate (%)	24.1	22.3		18.1	27.1	
RoE (%)	11.6	12.8				
Dividend paid	505	505				
Dividend payout ratio (%)	29.9	24.7				
EPS (Rs)*	4.02	4.85				
P/E (x)*	25.9	21.4				
B/V (x)*	3.0	2.8				
CMP (Rs)	104	104				

*Based on pre-issue equity

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