

IPO Note

Subscribe

Issue Details	
Particulars	
Price Band	Rs. 44-52
Face Value	Rs. 10 per share
Issue Opens	10th September 07
Issue Closes	13th September 07
Issue Size (No)	573.93 Million
Issue Size (Rs.)	25.25-29.84 Billion
Pre Issue Equity (Rs.)	38.26 Billion
Post Issue Equity (Rs.)	42.09 Billion
Promoter	Govt. Of India
Listing	BSE,NSE
BRLM	Kotak,Citi, Enam
Co-BRLM	---
Registrar	Karvy
Issue Allocation (No)	
OIB (Non MF)	251.98 Million
OIB MF	27.99 Million
Non OIB	83.99 Million
Retail	195.98 Million
Employees	13.98 Million

Share Holding Pattern		
Pre Issue		
	No. Shares	% of Equity
Promoters (A)		
President of India	3,826,219,300	100.00
Non-Promoters (B)		
Public (including employees)	0	0.00
Grand Total (A+B)	3,826,219,300	100.00
Post Issue		
	No. Shares	% of Equity
Promoters (A)		
President of India	3,634,908,335	86.36
Non-Promoters (B)		
Public (including employees)	573,932,895	13.64
Grand Total (A+B)	3,826,219,300	100.00

www.powergridindia.com

Siddhant Khandekar
Siddhant.khandekar@sunidhi.com
Phone: +91- 22- 66318633

Company Highlights

- Power Grid Corporation of India Limited (PGCIL), the category 1 Mini-Ratna company owns and operates most of India's inter-state and inter-regional electric power transmission system (ISTS) and is the nodal agency for wheeling power across the country. As at June 30, 2007 PGCIL owned and operated 61,875 circuit kilometers of electrical transmission lines and 106 electrical substations. In Fiscal 2007, it transmitted approximately 298 Billion units of electricity, representing approximately 45% of all the power generated in India.
- PGCIL was incorporated in Fiscal 1992 as part of an initiative of the Government of India to consolidate all the inter-state and inter-regional electric power transmission assets of the country in a single entity. Accordingly, the transmission assets of all central sector electricity generation utilities that operated on an interstate or inter-regional basis were transferred to PGCIL over the following years.
- PGCIL has been entrusted the statutory role of Central Transmission Utility (CTU) by the government. In this role, it operates as one of the chief agencies responsible for the planning and development of the country's nationwide power transmission network, including inter-state networks.
- PGCIL has completed 101 transmission projects and schemes valued at approximately Rs.252 billion. As at June 30, 2007, the company has 45 transmission projects in various stages of implementation. Subject to government approvals, it plans to spend Rs.550 Billion towards investment in transmission projects during the Eleventh Five Year Plan.
- PGCIL has been entrusted the operation of Regional Load Dispatch Centres (RLDCs) in each of the five regions into which India is divided for the purpose of power transmission and regulation. As an RLDC operator, it has modernised the regional and state load dispatch centres and their communication networks, down to the level of individual substations. The company undertook and completed this work under its ULDC (Unified Load Dispatch and Communication) Project. In order to optimise the monitoring and dispatch of electricity flows at the national level, it is currently establishing a National Load Dispatch Centre (NLDC), which is likely to complete in 2008. Presently, the company is managing the National Grid with inter regional capacity of 14,100 MW, which shall be enhanced to more than 37,000 MW by 2012.
- The company has taken the initiative to develop certain new transmission lines and systems with private parties, in public-private joint ventures- 1) 2,000 MW Tala Transmission Project through a joint venture company (Power links Transmission Limited) with 49% holding by PGCIL and 51% holding by Tata Power Company Limited. 2) 26% stake in Torrent Powergrid Limited, with Torrent Power holding the remaining stake. 3) 20% stake in Jaypee Powergrid Limited with JP Hydro holding the remaining stake.
- PGCIL has diversified into the telecommunications business, by creating a telecommunications network principally using its overhead transmission infrastructure. The company owns and operates a 19,000 kilometres fibre-optic cable network which has connected over 60 Indian cities, including all major metropolitan areas. PGCIL leases the bandwidth on this network to more than 60 customers, including major telecom operators such as BSNL, VSNL, Tata Teleservices Limited, Reliance Communications Limited and Bharti Airtel Limited.



Object of the Issue

- 1) To fund the capital expenditure of 15 transmission projects worth Rs.127 Billion. These will be funded by a Debt-Equity of 70:30.
- 2) General corporate and Issue expenses.

Investment Rationale

- 1) With almost 45% market share in the Power Transmission business, PCGIL is well poised to tap most of the transmission projects, when the National Grid capacity will go up from 14,100 MW to 37,000 MW by 2012.
- 2) PCGIL has extensive experience and expertise in implementing new transmission projects and expanding India's transmission systems. During the eighth, ninth and tenth five year plans, It has added 9,724 circuit kilometres, 12,436 circuit kilometres and 19,172 circuit kilometres of transmission lines and 17, 14 and 36 sub-stations, respectively. During the tenth plan, it undertook 11 transmission projects associated with generation projects; 33 grid strengthening projects, two interregional system strengthening projects and three ULDC projects.
- 3) Under the current tariff regulations as mandated by the Central Electricity Regulatory Commission (CERC) that are applicable till March 2009, PCGIL can charge fixed annual transmission charges inclusive of- a) 14% ROE, b) Interest, c) Depreciation, d) Operating & Maintenance Expenses, e) Income Tax related to Transmission business and f) Exchange variation on Foreign Currency Loans.
- 4) PCGIL has been able to recover 100% of its billing dues from the SEBs as per Tripartite Agreement of 2003.
- 5) PCGIL has maintained an average system availability of over 99% since fiscal 2002 and it didn't have a major grid disturbance since January 2003. This is attributable to efficient monitoring and maintenance of its infrastructure using modern techniques and technologies.
- 6) PCGIL has leveraged its nationwide transmission system to create a fibre-optic telecommunication cable network of over 19,000 kilometres and connected over 60 Indian cities, including all major metropolitan areas. In July 2006, it has also received a license to provide telecommunication services to end users and is currently exploring options for providing services to the end users. This business has already opened new revenue stream for PCGIL.

Key Concerns

1. The current tariff structure of PCGIL is applicable up to March 2009. Any changes in the future by CERC such as reducing the return on equity currently allowed, change of rate of recovery of operation and maintenance expenditure or set additional limitations on its ability to recover the costs of assets it develops or services it provides, could adversely affect the financial performance of the company.
2. Timing mismatches between the company's generation-linked transmission projects and the completion by generating companies of new electricity generators could lead to delays in its returns on equity.
3. Due to huge power deficit in most of the states, power pulling amongst the states is common in India. Although the company is able to control the national grid on almost all the occasions, major grid failure can't be ruled out and any such grid disturbances or failures could adversely affect its reputation.
4. The Electricity Act 2003 has thrown open the power transmission sector to private players. Although the sector requires huge capital commitments, competition from big players with deep pockets from private sector can not be ruled out.



Peer Group Comparison

	Power Grid	NTPC
P/ BV x	1.90	2.55
Post Issue Equity (Rs.Billion)	42.09	82.45
M.Cap. (Rs.Billion)	218.87	1528.70
FY07 Sales (Rs.Billion)	35.90	338.88
FY07 PAT (Rs.Billion)	10.88	69.09
Govt. Holding (Post Issue) %	86.36	89.50

Financials

Profit & Loss Account							(Rs. In Million)
Description	Quarter Ending June 30, 2007	Fin. Year Ending March 31, 2007	Fin. Year Ending March 31, 2006	Fin. Year Ending March 31, 2005	Fin. Year Ending March 31, 2004	Fin. Year Ending March 31, 2003	
INCOME							
Revenue from Operations	9,754.67	35,898.50	31,453.40	25,130.71	22,630.33	20,135.44	
Provision written back	28.47	1,334.33	679.35	12.42	1,728.91	0.00	
Sale of Electric Power	0.00	0.00	0.00	0.00	0.00	1,264.50	
Other Income	726.19	3,590.26	3,410.39	3,169.71	3,698.26	3,927.42	
TOTAL	10,509.33	40,823.09	35,543.14	28,312.84	28,057.50	25,327.36	
EXPENDITURE							
Employees' Remuneration & Benefits	1,064.98	3,388.76	2,568.10	2,271.82	2,352.92	1,864.08	
Transmission, Admission and Other Expenses	620.98	2,917.73	2,223.54	1,973.19	1,849.50	1,505.41	
Purchase of Electric Power	0.00	0.00	0.00	0.00	0.00	1,264.25	
Depreciation	2,254.13	8,275.81	7,443.25	6,422.58	6,064.20	4,625.92	
Provisions	0.00	27.40	1,327.66	655.84	179.81	1,396.01	
Interest and Finance Charges	1,127.69	11,404.22	9,474.55	8,086.84	9,909.60	7,004.04	
Deferred Revenue Expenditure written Off	13.54	81.95	88.65	93.11	138.45	11.15	
TOTAL	5,081.32	26,095.87	23,125.75	19,503.38	20,494.48	17,670.86	
Profit for the year before tax, Prior period Adjustments	5,428.01	14,727.22	12,417.39	8,809.46	7,563.02	7,656.50	
Less: Prior Period Expenditure/(Income) (Net)	3.05	-92.81	727.36	-274.29	420.07	138.06	
Profit Before Tax	5,424.96	14,820.03	11,690.03	9,083.75	7,142.95	7,518.44	
Less: Provision for Taxation- - Current Year	592.19	1,340.64	849.43	625.33	262.99	713.99	
- Earlier Years	0.00	0.26	-17.85	22.77	-96.57	-9.80	
Provisions for Fringe Benefit Tax-- Current Year	19.26	86.85	77.46	0.00	0.00	0.00	
- Earlier Years	0.00	0.35	0.00	0.00	0.00	0.00	
Profit after Current Tax	4,813.51	13,391.93	10,780.99	8,435.65	6,976.53	6,814.25	
Less: Provision for Deferred Tax - Current Year	291.70	1,067.88	691.64	447.73	0.00	388.30	
- Earlier Years 0.00 30.34 0.00 132.64 -505.51 0.00							
Profit after Tax as per audited statement of accounts (A)	4,521.81	12,293.71	10,089.35	7,855.28	7,482.04	6,425.95	
Adjustment on account of Changes in accounting policies	13.54	81.94	88.65	93.11	290.24	142.76	
Impact of Material adjustment	0.75	-1,434.55	-1,478.49	626.01	1,657.16	-411.15	
Prior period items	3.05	-95.47	839.34	-426.47	1,516.16	-263.89	
MAT & Deferred Tax Adjustments	0.00	30.95	-25.24	149.88	-714.02	376.96	
Total Adjustments (B)	17.34	-1,417.13	-575.74	442.53	2,749.54	-155.32	
Adjusted Profit (A+B)	4,539.15	10,876.58	9,513.61	8,297.81	10,231.58	6,270.63	



Assets & Liabilities							(Rs. In Million)
Description	Quarter ending June 30, 2007	Fin. Year ending March 31, 2007	Fin. Year ending March 31, 2006	Fin. Year ending March 31, 2005	Fin. Year ending March 31, 2004	Fin. Year ending March 31, 2003	
Fixed Assets							
Gross Block	3,03,911.71	2,90,146.24	2,48,882.54	2,18,841.32	1,98,742.66	1,88,595.31	
Less: Depreciation	74,203.63	71,985.56	63,720.04	56,284.80	49,894.74	43,409.46	
Net Block	2,29,708.08	2,18,160.68	1,85,162.50	1,62,556.52	1,48,847.92	1,45,185.85	
Capital Work-in-Progress	59,445.26	60,838.94	36,504.25	35,758.04	22,499.44	17,117.88	
Construction Stores and Advances	34,260.37	33,715.41	27,651.76	14,631.74	16,401.19	8,957.92	
Net Block	3,23,413.71	3,12,715.03	2,49,318.51	2,12,946.30	1,87,748.55	1,71,261.65	
Investments	19,088.16	19,670.05	21,394.11	20,292.10	19,979.24	18,837.11	
Current Assets, Loans & Advances							
Advances							
Inventories	1,891.27	1,841.28	1,802.39	1,842.65	1,968.66	1,606.91	
Sundry Debtors	5,250.97	4,904.00	4,403.45	5,713.38	4,777.29	2,581.97	
Cash and Bank balances	12,479.50	11,968.19	5,890.47	6,039.72	7,754.47	1,183.60	
Other Current Assets	1,043.97	1,470.28	1,554.38	1,785.18	3,328.63	3,049.52	
Loans and Advances	15,370.70	14,912.61	15,940.58	13,254.79	13,308.61	12,847.71	
Total current assets	36,036.41	35,096.36	29,591.27	28,635.72	31,137.66	21,269.71	
Total Assets	3,78,538.28	3,67,481.44	3,00,303.89	2,61,874.12	2,38,865.45	2,11,368.47	
Liabilities and Provisions							
Loan Funds							
Secured Funds	1,82,569.74	1,72,477.20	1,29,461.37	1,10,017.53	1,04,533.76	80,126.79	
Unsecured Funds	19,746.18	20,777.76	20,799.88	23,862.91	18,130.02	34,306.04	
Current Liabilities & Provisions							
Current Liabilities	35,153.25	40,020.85	31,761.72	24,652.56	20,710.14	14,753.91	
Provisions	9,303.10	8,333.72	5,474.79	3,428.29	3,650.70	2,246.23	
Deferred Tax Liability (Net)	4,485.04	4,193.34	3,125.46	2,427.05	1,973.78	1,866.81	
Advance Against Depreciation Grant In Aid	13,136.76	12,011.73	8,222.33	6,103.27	3,953.41	2,091.17	
Development Surcharge	0	0	0	0	1,952.32	0	
Total Liabilities	2,66,994.36	2,60,459.06	2,01,575.10	1,73,393.78	1,57,879.19	1,38,742.95	
Net Worth Represented by:							
Share Capital	38,262.19	38,262.19	36,234.41	32,040.61	30,740.61	30,740.61	
Reserves and Surplus							
LESS:-							
Miscellaneous Expenditure (to the extent not written off or adjusted)	14.54	3.22	0	0.91	0.91	-449.99	
Net Worth	1,11,543.92	1,07,022.38	98,728.79	88,480.34	80,986.26	72,625.52	
Contingent Liabilities	18,434.96	19,503.84	28,118.10	24,450.10	22,998.40	24,775.10	



SUNIDHI SECURITIES & FINANCE LTD.

Member: National Stock Exchange (Capital, F&O & Debt Market) & The Stock Exchange, Mumbai
SEBI Registration Numbers: NSE: INB 230676436 BSE: INB 010676436

Maker Chamber IV, 14th Floor, Nariman Point, Mumbai: 400 021
Tel: (+91-22) 6636 9669 Fax: (+91-22) 5631 8638 Web-site: www.sunidhi.com

Disclaimer: "This Report is published by Sunidhi Securities & Finance Ltd. ("Sunidhi") for private circulation. This report is meant for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. While utmost care has been taken in preparing this report, we claim no responsibility for its accuracy. Recipients should not regard the report as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without any notice and this report is not under any obligation to update or keep current the information contained herein. Past performance is not necessarily indicative of future results. This Report accepts no liability whatsoever for any loss or damage of any kind arising out of the use of all or any part of this report. Sunidhi and its associated companies, directors, officers and employees may from time to time have a long or short position in the securities mentioned and may sell or buy such securities, or act upon information contained herein prior to the publication thereof. Sunidhi may also provide other financial services to the companies mentioned in this report."