

BUZZING

STOCK

# RPG Transmission Ltd.

CMP – Rs.168

**Analyst**

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**Key Stock Data**

Sensex	13731
Nifty	3929
Sector	Transmission Lines
Bloomberg	SAE@IN
Reuters	RPGT.BO
No. of shares (m)	16
Market Cap (Rs m)	2,669
Market Cap (US\$ m)	60
52-week H/L	Rs.243/75

**Shareholding Pattern (%)**

Promoters	37.50
Mutual Funds	9.01
FIs	3.35
Corporate Bodies	20.68
Pubic & Others	29.46

**Overview:** RPGTL is mainly involved in project execution in the Power Transmission & Distribution (T & D) space, Turnkey EPC projects, Telecom tower networking, Railway electrification and other allied Engineering services. RPGTL designs, constructs and erects high voltage AC and DC transmission lines. It has its plant located at Deori Jabalpur with an installed capacity of 50,000MT. The company strong skill in T&D space with sophisticated tower-testing station of up to 800 KV lines. Company's design facilities are modern and has attained ISO 9001 and ISO 14001 certification for quality. Company's customers include various SEBs, ABB, and CESC, MPSEB in the electrical utility space and MTNL and Bharti Telecom in the telecom space.

**Increase in Order:** The Company was undergoing a bad phase during the Gulf war due to paucity of orders particularly from Middle East markets. Now the company has geared up its efforts to increase orders from these markets. Also the capacity addition program initiated by the government in the power sector has driven the domestic orders of the company. The company has a total current order book of around Rs.4.3bn, which is 2.2x of the FY06 turnover.

Capacity	Customer	Project	Length*
220 KV	CSEB	Korba East Bishrampur	157
400KV	PGCIL	Lucknow-Bareilly	250
132KV	CSEB	Bishrampur-Balrampur	115
400KV	RRVPL	Dholpur-Heerapur	280
132& 220 KV	APTRANSCO	Supply of Galvanised Steel Towers	NA
132KV	*G 5 Construction	Ikot Abassit IKET under IBOM, Nigeria	46
400KV	PGCIL	Kudamkulam-Tirunelveli	80
400KV	PGCIL	Titunelveli-Edamon	34
765KV	PGCIL	Sipat-Seoni	166
220KV	CESC	Evacutaion	80

Source - Company

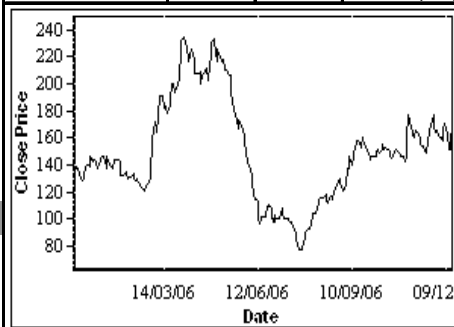
**Reduction in interest cost:** Over the last 3 years, the company's gearing and interest costs have seen a progressive decline. The borrowings, which stood at Rs.1,330m in FY04, have come down dramatically to Rs.690m in FY06 consequent to the CDR (Corporate debt restructuring) and higher operational cash flows recorded in this period. The interest burden has reduced to Rs.65.69m in FY06 against Rs.143m in FY04. Also the company by suitably outsourcing certain low margin work has put a tab on the cash credit component with respect to sales. Thus the overall interest cost has witnessed a decline from 3.3% of sales in FY06 to 2% of sales during the quarter. We expect this trend would continue.

**Valuation:** During Q2FY07 the company reported 119% rise in sales to Rs.881.2m. The EBITDA increased by 200 basis points to Rs 11%. Due to higher outsourcing the interest and depreciation cost declined by 6% and by 12% respectively. The net profit reported at Rs. 49.5m. We expect total turnover of Rs.3,700m and net profit of Rs.210m for FY07. The share price is trading at Rs.13x to the FY07 E EPS of Rs.13.44.

Note: G5 - Group Five; Length in KMs

### Financial Snapshot

RPG Transmission Ltd.							Rs.m				Ratios (%)		
Financial Year End: March	Q2 FY06	Q2 FY05	Chg. (%)	FY06	FY05	Chg. (%)		FY06	FY05	Chg.(%)			
Net Sales	881	402	119	1951	1278	53	Debt -Equity	3.4	25.7	(87)			
Other Income	1	1	63	5	169	(97)	PBIDTM	11	9	22			
Total Income	883	403	119	1957	1447	35	PBDTM	6	(1)	(713)			
Total Expenditure	784	365	115	1756	1455	21	RoCE	24	6	316			
PBIDT	98	37	163	201	(8)	2493	RoNW	21	29	(26)			
Interest	18	19	(6)	66	27	142							
PBDT	81	18	338	135	(36)	481							
Depreciation	5	5	(12)	15	32	(52)							
Tax	27	1	3225	45	0	44900							
Reported Profit After Tax	50	13	296	75	47	62							
Extra -ordinary Items	0	0	0	0	(126)	0							
Adj. Profit After Extra-ordinary item	50	13	296	75	172	(56)							
No. of shares (m)	16	16	-	16	13	-							
EPS (annualised.) (Rs.)	12.7	3.2	-	6.4	2.9	-							
P/E	13.2	52.5	-	26.3	57.9	-							



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