

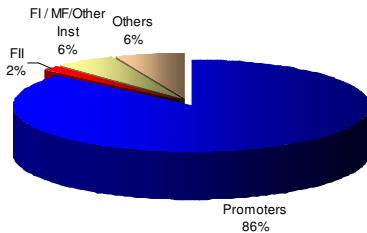
Power Grid Corporation

28 May 2010

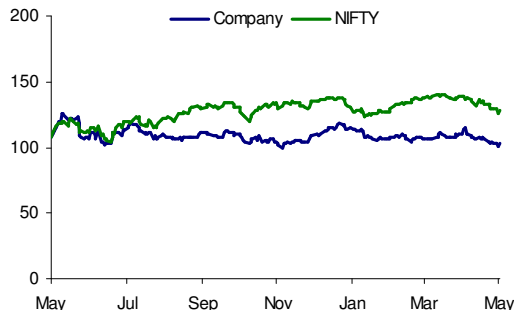
Hold

Industry	Power
CMP (INR)	103
52 week High/Low (INR)	125/99
Market Cap (INR Mn)	433721
Company P/E (TTM)	20.49
Sector P/E	22.62
Avg 3M Daily Volumes	288124

Shareholding Pattern (%)



Stock Performance (Last one year)



Performance (%)

	1 Month	3 Months	1 Year
Company	-8.8	-4.0	-4.2
Nifty	-7.4	-2.0	19.5

* Source: Capitaline, Unicon Research

Analyst
Amish Pansuria | apansuria@uniconindia.in

Result Highlights

- Revenues were at INR 22 Bn for the quarter, down 4% YoY. Revenues increased to INR 71.27 Bn in FY10 from INR 66.75 Bn in FY09, aided by higher power transmission takings, which increased to INR 65.76 Bn from INR 52.83 Bn.
- Revenue from its consultancy operations rose 25% to INR 2691 Mn for FY10. This business contributed ~ 4% to the revenues of the company.
- Revenues from the telecom business rose 5%, for FY10. This segment contributed ~ 2% to the revenues of the company.
- The EBITDA margins for the quarter saw a dip of 294 bps YoY, whereas the margins for the year saw a dip of 142 bps. This was mainly due to dip in revenues for the quarter and an increase in the company's operating expenses, which increased by 4% for the quarter, YoY.
- A 40% increase in depreciation was offset by the 50% reduction in the interest expenses for the quarter, YoY.
- Depreciation increased due to additional capex undertaken by the company. Power Grid increased its capital expenditure to INR 105 Bn in the FY10 from INR 81.6 Bn in the previous financial year.
- The company's net profit for the quarter was at INR 5,465 Mn down 11% YoY. PAT for FY10 grew by 21 % to INR 20,409 Mn.

Other Updates

The company has capex plans of INR 135 Bn for FY11, mainly for expanding and strengthening its transmission networks this year.

Funds for this would be raised through a follow on public offering, which according to the management will happen in Q2FY11. Besides this internal resources and commercial borrowings will also be used to raise funds.

Outlook and Valuations

At a CMP of INR 103 , the stock is currently trading at 18x its FY11 consensus earnings estimate and at 2.7x its book value per share. Considering the equity dilution by the company for the investment for XII plan and rich valuation with stable earnings, we recommend "Hold" rating to the stock.



Power Grid Corporation

(INR in mn, except EPS)

	Q4 FY 10	Q3 FY 10	Q-o-Q	Q4 FY 09	Y-o-Y	FY 10	FY 09	Y-o-Y
Net Revenue	22,305	15,254	46%	23,167	-4%	71,275	66,759	7%
Operating Exp.	5,072	2,783	82%	4,586	11%	13,543	11,739	15%
EBITDA	17,232	12,471	38%	18,581	-7%	57,731	55,019	5%
EBITDA (%)	77.3%	81.8%	-450 bps	80.2%	-294 bps	81.0%	82.4%	-142 bps
Depreciation	3949	5360	-26%	2811	40%	19,796.9	10,939.7	81%
EBIT	13,284	7,111	87%	15,770	-16%	37,934	44,080	-14%
EBIT (%)	59.6%	46.6%	1294 bps	68.1%	-851 bps	53.2%	66.0%	-1281 bps
Interest	3319	4118	-19%	6654	-50%	15432	25321	-39%
Other Income	-1,229	2,246	-155%	683	-280%	3,761	3,527	7%
Tax Provision	3,271	361	806%	3,637	-10%	5,854	5,380	9%
Tax Rate (%)	37.4%	6.9%	3055 bps	37.1%	33 bps	22.3%	24.1%	-185 bps
PAT	5,465	4,878	12%	6,161	-11%	20,409	16,906	21%
Extraordinary Items	0	0		0		0	0	
Reported PAT	5,465	4,878	12%	6,161	-11%	20,409	16,906	21%
PAT (%)	24.5%	32.0%	-748 bps	26.6%	-209 bps	28.6%	25.3%	331 bps
EPS	1.3	1.16	12%	1.46	-11%	4.85	4.02	21%

Source: Capitaline, Unicon Research

*Standalone



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Unicon Investment Ranking Methodology

Rating	Buy	Accumulate	Hold	Reduce	Sell
Return Range	$\geq 20\%$	10% to 20%	-10% to 10%	-10% to -20%	$\leq -20\%$

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Address:
Wealth Management
Unicon Financial Intermediaries. Pvt. Ltd.
Ground Floor, Jhawar House,
285, Princess Street, Mumbai-400002
Ph: 022-43591200 / 100
Email: wealthresearch@uniconindia.in

Visit us at www.uniconindia.in

