

## NEUTRAL

Price	Rs91
Target Price	-
Investment Period	-

### Stock Info

Sector	Power
Market Cap (Rs cr)	1,371
Beta	0.8
52 WK High / Low	94 /37
Avg. Daily Volume	79211
Face Value (Rs)	10
BSE Sensex	15,332
Nifty	4,564
BSE Code	517300
NSE Code	GIPCL
Reuters Code	GJIP.BO
Bloomberg Code	GIP@ IN

### Shareholding Pattern (%)

Promoters	58.2
MF/Banks/Indian FIs	23.6
FII/ NRIs/ OCBs	3.7
Indian Public/others	14.5

Abs.	3m	1yr	3yr
Sensex (%)	39.4	6.8	43.6
GIPCL (%)	51.7	9.3	74.3

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## Performance Highlights

- Top-line de-grows 4.7%:** GIPCL's Top-line de-grew 4.7% to Rs250.0cr (Rs262.5cr) in 1QFY2010 as against our estimate of 10.1% yoy growth in revenues. Top-line declined owing to the 15% fall in realisations to Rs2.2/unit (Rs2.6/unit) on account of lower fuel costs, which was passed on. However, the company registered 10.4% yoy growth in Volumes to 1,131MU as against our estimate of 1,070MU.
- Operating Margins at 23.7%:** For 1QFY2010, the company registered 6.7% increase in Operating Profit to Rs59.2cr, while OPM expanded by 260bp yoy to 23.7%. OPM increased primarily on account of the fall in fuel prices. The company's fuel costs fell 7.5% despite the 10% increase in power generation Volumes
- Bottom-line up 30.7%:** The company's Bottom-line for 1QFY2010 came in at Rs29.4cr (Rs22.5cr), up 30.7% yoy. Net Profit grew aided by the 35% decline in Interest costs to Rs5.5cr, while Other Income increased 15% to Rs4.1cr.
- Capacity addition behind schedule:** The company is in the process of setting up a 250MW (125MW\*2) power plant at Surat at a cost of Rs1,630cr. Construction of this plant though is progressing well, commercial operation of the first unit is expected to commence in August 2009, while the second unit will get functional in December 2009.

## Key Financials

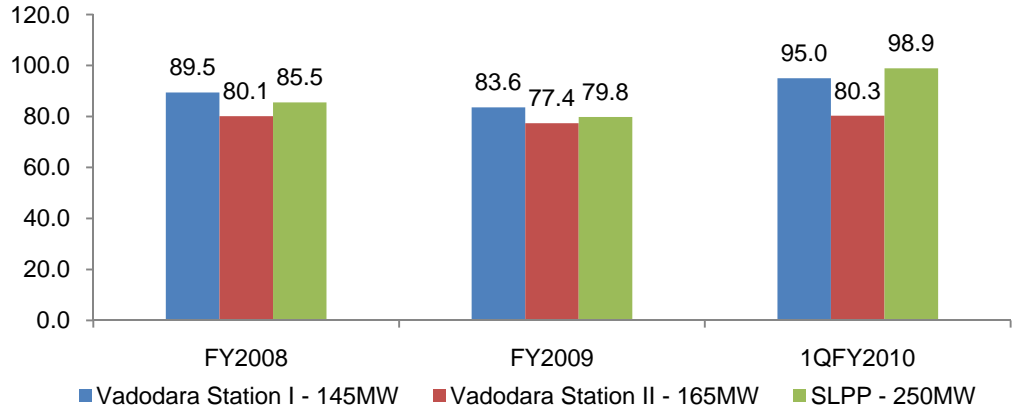
Y/E March (Rs cr)	FY2008	FY2009	FY2010E	FY2011E
<b>Net Sales</b>	<b>935.6</b>	<b>1,155.0</b>	<b>1,424.6</b>	<b>1,629.0</b>
% chg	17.6	23.5	23.3	14.3
<b>Net Profit</b>	<b>102.3</b>	<b>85.8</b>	<b>127.8</b>	<b>155.2</b>
% chg	(44.1)	(16.1)	48.9	21.4
OPM (%)	27.0	18.2	25.4	27.6
<b>EPS (Rs)</b>	<b>6.8</b>	<b>5.7</b>	<b>8.4</b>	<b>10.3</b>
P/E (x)	13.4	16.0	10.7	8.8
P/BV (x)	1.2	1.0	0.9	0.9
RoE (%)	9.0	6.3	8.7	9.6
RoCE (%)	8.7	7.0	9.1	10.3
EV/Sales (x)	2.0	1.1	1.4	1.4
EV/EBITDA (x)	7.4	6.2	5.5	5.0

Source: Company, Angel Research

**Operational Highlights**

In 1QFY2010, GIPCL's total power generation stood at 1,131MU. PLF of the 145MW Vadodara I facility increased to 95.0% (82.8%), while PLF of the 165MW Vadodara II fell marginally to 80.3% (80.9%). PLF of the 250MW Surat Lignite Power Plant (SLPP) increased to 98.9% (87.2%) during the quarter.

**Exhibit 1: PLF across plants (%)**



Source: Company, Angel Research

**Key Developments**

**Expansion behind schedule:** Management stated that construction of the 250MW Surat unit was progressing satisfactorily albeit amidst slight delays. The plant, which was expected to get operational in two phases by December 2008 and March 2009 respectively, is now expected to commence operations towards August 2009 and December 2009. Boiler of the SLPP Unit No.3 was lit up on 19.7.2009.

The company also plans to develop a new 600MW lignite-based power plant in Surat. At present, it is examining feasibility of the project. With this capacity addition, the company intends to make the best use of the coal mine in its possession, which has adequate lignite to support 1,000MW of power generation for 35 years.

**Outlook and Valuation**

India's overall power deficit is currently at 10%, while peak load deficit stands at 12.3%. Further, India's energy demand is set to almost double over the next decade from current levels. Hence, capacity addition is the need of the hour to meet the country's ever-growing energy requirements. The newly elected UPA government too has also reiterated its commitment to the development of the Power Sector along with identifying the Sector as a major driver of the country's economic growth. In line with this, we expect GIPCL's capacity addition plans to propel its growth going ahead. We expect GIPCL to record a CAGR of 19% and 34% in Top-line and Bottom-line over FY2009-11E, respectively.

At Rs91, the stock is trading at 0.9x FY2011E P/BV. **On account of the recent steep run up in the stock price, we remain Neutral on GIPCL.**

**Exhibit 2: 1QFY2010 Performance**

Y/E March (Rs cr)	1QFY2010	1QFY2009	% chg	FY2009	FY2008	% chg
<b>Net Sales</b>	<b>250.0</b>	<b>262.5</b>	<b>(4.7)</b>	<b>1,162.8</b>	<b>942.4</b>	<b>23.4</b>
Fuel Cost	168.9	182.6	(7.5)	848.7	595.7	42.5
(% of Sales)	67.6	69.6		73.0	63.2	
Staff Costs	5.8	5.2	11.0	22.8	23.6	(3.4)
(% of Sales)	2.3	2.0		2.0	2.5	
Other Expenses	16.2	19.2	(15.5)	72.9	63.2	15.2
(% of Sales)	6.5	7.3		6.3	6.7	
<b>Total Exp</b>	<b>190.8</b>	<b>207.0</b>	<b>(7.8)</b>	<b>944.3</b>	<b>682.6</b>	<b>38.4</b>
<b>Operating Profit</b>	<b>59.2</b>	<b>55.5</b>	<b>6.7</b>	<b>218.4</b>	<b>259.8</b>	<b>(15.9)</b>
OPM (%)	23.7	21.1		18.8	27.6	
Interest	5.5	8.4	(35.0)	29.6	51.3	(42.4)
Depreciation	22.1	21.8	1.2	88.4	88.3	0.0
Other Income	4.1	3.5	15.0	8.4	20.1	(58.1)
<b>PBT (excl. Extr. Items)</b>	<b>35.7</b>	<b>28.7</b>	<b>24.2</b>	<b>108.9</b>	<b>140.3</b>	<b>(22.3)</b>
Extr. Income/(Expense)	-	-				
<b>PBT (incl. Extr. Items)</b>	<b>35.7</b>	<b>28.7</b>	<b>24.2</b>	<b>108.9</b>	<b>140.3</b>	<b>(22.3)</b>
(% of Sales)	14.3	10.9		9.4	14.9	
Provision for Taxation	6.3	6.2	0.5	23.1	38.0	
(% of PBT)	17.5	21.7		21.2	27.1	
<b>Reported PAT</b>	<b>29.4</b>	<b>22.5</b>	<b>30.7</b>	<b>85.8</b>	<b>102.3</b>	<b>(16.1)</b>
PATM (%)	11.8	8.6		7.4	10.9	
Equity shares (cr)	151.3	151.3		151.3	151.3	
<b>EPS (Rs)</b>	<b>1.9</b>	<b>1.5</b>	<b>30.7</b>	<b>5.7</b>	<b>6.8</b>	<b>(16.1)</b>

Source: Company, Angel Research


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<b>Ratings (Returns) :</b>	<b>Buy (Upside &gt; 15%)</b>	<b>Accumulate (Upside upto 15%)</b>	<b>Neutral (5 to -5%)</b>
	<b>Reduce (Downside upto 15%)</b>	<b>Sell (Downside &gt; 15%)</b>	