

Power Grid Corporation of India

Rs 188
Geared for consistent growth

BSE Sensex: 33,349

Nifty-50: 10,030

FINANCIALS: STANDALONE

	SALES	OPM (%)	OP	OTHER INCOME	PBDIT	INTEREST	PBDT DEPRECIATION	PBT	TAX	PAT	EPS* (RS)	
1603 (12)&	20665.81	88.4	18277.8	577.49	18855.24	5134.93	13720.31	6179.8	7540.51	1592.01	5948.5	11.4
1703 (12)&	25716.54	88.2	22671.5	864.92	23536.39	6303.83	17232.56	7662.8	9569.76	2049.61	7520.2	14.4
1803 (12)&	29752.46	87.9	26144.9	1013.86	27158.76	7590.66	19568.1	9091.25	10476.85	2237.89	8239	15.7
1903(12P)&	33322.76	88.2	29390.7	1064.55	30455.22	8349.73	22105.5	10182.2	11923.3	2563.51	9359.8	17.9

* on current equity of Rs 5231.59 crore of face value of Rs 10 each. EPS is calculated after excluding EO and relevant tax. & FY 16 ,FY 17 and FY 18 financials and FY 19 and FY 20 Projections are as per New Accounting Standard (AS), while previous year financials are as per Old AS. # EPS can not be annualised due to seasonality in operations. (P) Projections, Figures in Rs crore. Source: Capitaline Database

Incorporated in 1989, Power Grid Corporation of India (PGCIL), the Central Transmission Utility (CTU), is engaged in Bulk Power transmission. Its responsibilities include planning, coordination, supervision and control over inter-State transmission system and operation of National & Regional Power Grids. Government of India holds around 56.9% stake in the company.

As on Mar 18, PGCIL owns and operates about 148327 ckt kms of transmission lines at 800/765kV, 400kV, 220kV & 132kV EHVAC & +500kV HVDC levels and 236 sub-stations with transformation capacity of about 332163 MVA. This gigantic transmission network, spread over length and breadth of the country, is consistently maintained at an availability of over 99.9%.

The company was able to increase its Gross fixed assets at CAGR of 16.4% from Rs 96504 crore in FY 14 to Rs 177100 crore in FY 18. PAT also has seen a CAGR growth of 16.3% from Rs 4497.2 crore in FY 14 to Rs 8238.96 crore in FY 18.

The company wheels more than 50% of total power generated in India. Recognizing the role of PGCIL in the overall development of Indian power sector and its consistent performance as per benchmark parameters stipulated by Department of Public Enterprise (DPE) "Navratna status" was conferred to PGCIL w.e.f. 1st May, 2008.

Recently the company has been awarded with the Fastest Growing Electric Utility in Asia since 2014 (4th successive year) as per Platts Top 250 Global Energy Company Rankings.

Establishment of National Grid

The company's Grid Management and operation has been entrusted to Power System and Operation Corporation limited (POSOCO, a 100% wholly owned subsidiary of PGCIL). The company also has a consultancy wherein it provides transmission related consultancy services to large number of domestic and international projects. The domestic clients are mainly the SEBs, Central PSU's, and in international projects they are respective State Governments and local private companies. Similarly the company has diversified into the telecommunications business in 2001 by leveraging/ utilizing its nationwide transmission system to create an overhead fibre-optic telecommunication cable network using optical ground wire on power transmission lines.

PGCIL has planned to create a strong and vibrant National Grid in the country in a phased manner to ensure optimum utilization of generating resources, conserve eco-sensitive right of way and accommodate uncertainty of generation plants. Strengthening of National Grid is planned in a phased manner through consolidation of inter-regional connection



STOCK DATA

BSE Code	:	532898
BSE Group	:	A
NSE Code	:	POWERGRID
Bloomberg	:	PWGR IN
Reuters	:	PGRD.BO
Par Value	:	Rs 10
52-week High/Low	:	Rs 221 / Rs 174
Sector	:	Power Gen & Distn

SHAREHOLDING PATTERN*

Category	% of equity
Foreign	: 23.76
Institutions	: 15.30
Govt Holding	: 0.00
Corporate Holding	: 1.23
Promoters	: 56.34
Public & Others	: 3.37
Total	: 100

* as on 30/9/2018
Source: Capitaline Databases

framework, so as to support the anticipated generation capacity programme of about 125,000 MW during the XIII 5 year Plan.

At the end of XII Plan, the Inter-regional power transfer capacity of National Grid stands at about 86400 MW. Four power regions of the country namely, North-Eastern, Eastern, Western and Northern are now operating as one synchronous grid (same frequency). Southern Regional grid is connected to this synchronous grid through HVDC links.

Government of India entrusted PGCIL with additional responsibility of controlling the existing Load Dispatch Centres in the country with a view to achieve better Grid management and Operation in the year 1994. For improving the efficiency and management of Grid operations, PGCIL modernised, all the Regional Load Dispatch Centres (RLDCs) with the implementation of state-of-the-art Unified Load Dispatch & Communication (ULDC) scheme.. Modernization of RLDCs contributed in bringing quality and economy in power system operation besides improving data availability, visibility and transparency and also resulted in better Grid Management and reliable grid operation. Taking a step further, for overall co-ordination, National Load Dispatch Centre (NLDC) was established in 2009. As per the Govt. of India directive, a separate company 'Power System Operation Corporation Limited' (POSOCO), a 100% wholly owned subsidiary of PGCIL was formed in 2009 and has been entrusted with the responsibility of Grid Operation and Management.

Steady growth in June 18 quarter

For the quarter ended June 18, net sales of Power Grid stood at Rs 8127.10 crore up by 13% YoY. Net revenue from Transmission business, which constitutes around 96% of total revenue, was up 14% to Rs 7907.92 crore and PBIT and the same was up by 15% to Rs 4603.69 crore.. Net revenue from consultancy service business which constitute around 2% of total sales was down by 28% to Rs 151.96 crore and PBIT was lower by 47% to Rs 82.6 crore. Telecom income which constitutes around 2% of total sales was up by 21% YoY to Rs 191.26 crore while PBIT was up by 46% to Rs 106.26 crore.

OPM was higher by 50 bps to 87.8% resulting OP being up by 14% to Rs 7136.46 crore. Margins could have been much higher but for a one time provision of Rs 42.8 crore towards employee pay revisions, which is not recovered in the tariff. However, given the CERC tariff norms, the management is confident of a recovery of this cost in due course once petitions are made to the regulator.

Other income was up by 44% to Rs 300.57 crore. Interest costs were up by 21% to Rs 2140.61 crore. Depreciation was up by 15% to Rs 2450.61 crore resulting PBT of Rs 2845.81 crore, up by 10% YoY. After paying total tax of Rs 605.27 crore, up by 14% YoY, PAT for June 18 quarter stood at Rs 2240.54 crore, up by 9% YoY.

For the 12 months ended Mar 18, net sales of Power Grid stood at Rs 29752.46 crore up by 16% YoY. Net revenue from Transmission business, which constitutes around 95% of total revenue, was up 15% to Rs 28835.11 crore. Net revenue from consultancy service business was up by 13% to Rs 668.38 crore. Telecom income was up by 22% YoY to Rs 678.41 crore. OPM was lower by 30 bps to 87.9% resulting OP being up by 15% to Rs 26144.90 crore. Other income was up by 17% to Rs 1013.86 crore. Interest costs were up by 20% to Rs 7590.66 crore. Depreciation was up by 19% to Rs 9091.25 crore resulting PBT of Rs 10476.85 crore, up by 9% YoY. After paying total tax of Rs 2237.89 crore, up by 9% YoY, PAT for 12 months ended Mar 18 stood at Rs 8238.96 crore, up by 10% YoY.

The company was able to increase its Gross fixed assets at CAGR of 16.4% from Rs 96504 crore in FY 14 to Rs 177100 crore in FY 18. PAT also has seen a CAGR growth of 16.3% from Rs 4497.2 crore in FY 14 to Rs 8238.96 crore in FY 18.

PGCIL has planned to create a strong and vibrant National Grid in the country in a phased manner to ensure optimum utilization of generating resources, conserve eco-sensitive right of way and accommodate uncertainty of generation plants

Strong growth visibility

As on Mar 18, the company has ongoing projects of around Rs 75000 crore and new projects of around Rs 2500 crore and TBCB project of Rs 16500 crore as its total work in hand. . The company also has a total of around Rs 16000 crore worth of consultancy project from Government of India as well PGCIL has already executed Rs 37000 crore of work (CWIP) in 13th 5 year plan till date. The balance of Rs 57000 crore of work is set to be executed over the next 2 years, implying that an annual capex run-rate of more than Rs 25000 crore will continue over the medium term.

Going ahead, the company has clear visibility on projects like TBCB segment (Rs 7000 crore) and integration of wind capacity (30000 MW), solar UMPPs and nuclear power.

Overall for 13th 5 year plan a total of around Rs 2.6 lakh crore is envisaged for power transmission sector which includes around 106000 ckm of transmission lines and 292000 MVA of substation capacities. PGCIL expects to spend around Rs 1 lakh crore of the Rs 2.6 crore that is planned. Huge pipeline of work in hand and healthy outlook gives visibility for strong trend in capitalization for next 3-4 years.

Track record of meeting and ever overshooting targets

Total capitalization in 12th plan which ended on Mar 17, stood at Rs 117000 crore as against target plan of Rs 110000 crore. PGCIL has achieved all the 12th 5 year plan targets in every year and has entered 13th 5 year plan for FY 18 and despite base getting higher, it's showing consistent strong performance.

For FY18, the company has incurred capex of around Rs 25791 crore. The capex in FY 18 infact was the highest ever by the company since its incorporation.

The capitalization stood at around Rs 27928 crore in FY18. Thus, for the past 3 consecutive years, the capitalization to capex has been more than 1. This was largely due to large number of held up projects being completed and capitalized and completion of large number of transmission lines of CERC projects on time.

PGCIL's capitalisation - to- capex ratio in FY18 stood at 1.06 times and the same is expected to continue to improve even further in coming years.

Capex during the June 18 quarter was at Rs 6400 crore, up by 1% YoY on a high base of June 17 quarter. The company is on track to achieve the full year target of capex of around Rs 25000 crore. Capitalization in June 18 quarter stood at Rs 2520 crore which was up by 6% YoY. The company has added 1950 ckm of transmission line and 6000 MVA substation capacity in June 18 quarter.

Thus, higher capex and capitalization will continue given the strong WIP and the investment plans.

Opportunities in the emerging sectors

While Power Grid continued to keep its thrust on transmission segment, it is continuously working on the emerging opportunities which include intra-state transmission, telecom, opportunities in international market, railway electrification, smart cities etc.

Currently in consultancy business, the company has more than 100 domestic assignments and 17 international assignments from countries like Nepal, Bangladesh, Bhutan, Fiji and CASA countries. It secured 9 new orders in June 18 quarter.

In telecom space, the company owns and operates around 47,735 km of Telecom Network and has a Points of Presence in 688 locations with Intra City network in

As on Mar 18, the company has ongoing projects of around Rs 75000 crore and new projects of around Rs 2500 crore and TBCB project of Rs 16500 crore as its total work in hand. . The company also has a total of around Rs 16000 crore worth of consultancy project from Government of India as well

Overall for 13th 5 year plan a total of around Rs 2.6 lakh crore is envisaged for power transmission sector which includes around 106000 ckm of transmission lines and 292000 MVA of substation capacities. PGCIL expects to spend around Rs 1 lakh crore of the Rs 2.6 crore that is planned

105 cities across India. The company is working on 45 new government orders in providing the fibre optic cables. Its Telecom network increased by around 5,700 km increasing the reach to 23 more cities in India in FY 18.

Railways also present a significant opportunity to Power grid, as railways intent to electrify 90% of its tracks in next 5 years ie in 13th 5 year plan which envisages an opportunity of around 13000r km. The 1st Section of Mansi-Saharsa-Madhepura (63 rkm) of East Central Railway was completed in 10 months ahead of schedule by the company and is expecting the 2nd section to commence soon.

In Telecom, the company is working on the Signalling works through JV with Raitel Corporation of India. The company will leverage its existing telecom network for telecom data sharing.

Also it is evaluating options for using its grid for electric vehicle charging, battery storage and wire businesses.

Outlook

As at the end of FY 18, total Transmission capacity in India stood at 390970 ckm as compared to 274588 ckm in FY 13. Thus of the new 116382 ckm added during these 5 years, PGCIL added around 48127 ckm or 41% of the new ckm of total transmission line in India.

Strong growth drivers for the power sector like Saubhagya Scheme to ensure household electrification by 31st Dec., 2018, 24x7 Affordable Power for All by 2019, RE Integration: 175 GW by 2022; 275 GW by 2027, Per Capita Consumption to increase about 3000 units by 2040 etc augers well for strong transmission demand for the power sector.

As per the Central Electricity Authority (CEA)'s 20-year Perspective Transmission Planning Report, roughly around quadrupling of transmission systems from present capacities and Massive transmission corridors may be needed towards Northern Grid and Southern Grid.

PGCIL earns 15.5% RoE on its capitalised asset and is largely a beneficiary of increased capitalisation. The asset base has grown at a CAGR of 16.4% to Rs 177100 crore in FY14-18 period.

The management expects capitalisation of around Rs 28000-30000 crore in FY 19 and FY 20 and the capitalisation-capex ratio of above 1.0x.

Strong project execution capabilities, history of meeting targets and visibility on investment plans for next few years gives comfort on earnings visibility which could lead to strong cash flow and increased dividend pay out.

The company remains the best placed utility given the turmoil in the sector. Also, generating RoEs in the range of 15-16% consistently amid strong capex (more than Rs 25000 crore every year) is commendable.

Valuation

Consistent capex and improving capitalisation will continue to transmit consistent earnings growth.

The book value of the company as on June 18 stood at Rs 108 per share.

For FY 19, we expect the company to register net sales and PAT of Rs 33322.76 crore and Rs 9359.79 crore respectively. This gives an EPS of Rs 17.9. At current market price of Rs 188, the scrip trades at 10.6 times its projected FY 19 earnings.

PGCIL has achieved all the 12th 5 year plan targets in every year and has entered 13th 5 year plan for FY 18 and despite base getting higher, it's showing consistent strong performance

Strong project execution capabilities, history of meeting targets and visibility on investment plans for next few years gives comfort on earnings visibility which could lead to strong cash flow and increased dividend pay out

POWER GRID CORPORATION OF INDIA: RESULTS

	1806(03)	1706(03)	VAR. (%)	1803 (12)	1703 (12)	VAR. (%)
Sales	8127.10	7181.35	13	29752.46	25710.07	16
OPM (%)	87.8	87.3		87.9	88.2	
OP	7136.46	6269.89	14	26144.90	22669.76	15
Other income	300.57	208.48	44	1013.86	866.63	17
PBIDT	7437.03	6478.37	15	27158.76	23536.39	15
Interest	2140.61	1762.42	21	7590.66	6303.83	20
PBBDT	5296.42	4715.95	12	19568.1	17232.56	14
Depreciation	2450.61	2131.14	15	9091.25	7662.8	19
PBT	2845.81	2584.81	10	10476.85	9569.76	9
Prior Period (PP) Exp	0.00	0.00	0	0	0	0
PBT after PP	2845.81	2584.81	10	10476.85	9569.76	9
Tax	605.27	532.4	14	2237.89	2049.61	9
PAT	2240.54	2052.41	9	8238.96	7520.15	10
EPS (Rs)*	#	#		15.7	14.4	

* on current equity of Rs 5231.59 crore of face value of Rs 10 each. EPS is calculated after excluding EO and relevant tax
#EPS can not be annualised due to seasonality in operations. Figures in Rs crore.
Source: Capitaline Database