

COMPANY PROFILE

Power Grid Corporation of India Limited

REFERENCE CODE: DE22FA22-90B6-4C63-8B54-D73C124321BA

PUBLICATION DATE: 12 Apr 2021

www.marketline.com

COPYRIGHT MARKETLINE. THIS CONTENT IS A LICENSED PRODUCT AND IS NOT TO BE PHOTOCOPIED OR DISTRIBUTED

TABLE OF CONTENTS

Company Overview	3
Key Facts	3
SWOT Analysis	4

COMPANY OVERVIEW

Power Grid Corporation of India Limited (Power Grid or 'the company') is an India-based electric power transmission company. The company provides power transmission services, consultancy services, telecommunication network services, and operation and maintenance of transmission systems. It owned by the Government of India. Power Grid provides consultancy services in transmission, distribution and telecom sectors including planning and design, engineering, load dispatch, OPGW on intra state network, procurement management, operations and maintenance, financing and project management. The company provides consultancy services to state-owned utilities, private utilities, central public sector undertakings, and government departments. The company is headquartered in Gurgaon, Haryana, India.

The company reported revenues of (Rupee) INR396,397.9 million for the fiscal year ended March 2021 (FY2021), an increase of 5% over FY2020. In FY2021, the company's operating margin was 55.2%, compared to an operating margin of 57.4% in FY2020. In FY2021, the company recorded a net margin of 29.5%, compared to a net margin of 24.8% in FY2020.

KEY FACTS

Head Office	Power Grid Corporation of India Limited Saudamini, Plot No.2, Sector 29 GURGAON GURGAON IND
Phone	91 124 2822000
Fax	91 124 2571762
Web Address	www.powergridindia.com
Revenue / turnover (INR Mn)	396,397.9
Revenue (USD Mn)	5,364.5
Financial Year End	March
Employees	8,990
National Stock Exchange of India Ticker	POWERGRID

SWOT ANALYSIS

Power Grid Corporation of India Limited (Power Grid or 'the company') is an electric power transmission utility company. Strong asset base and return on equity are its major strengths, even as trade receivables continue to be cause for concern. It could benefit from acquisitions, contracts and agreements, and positive outlook for global renewable energy market. However, volatile electricity prices, competition in consulting business and risks associated with operations in foreign countries could pose challenges to its operations and financial position.

Strength Strong asset base Return on Equity	Weakness Trade receivables
Opportunity Strategic acquisitions supports growth in business operations Positive outlook for global renewable energy market Strategic agreements and contracts	Threat Volatile electricity prices Risks associated with operations in foreign countries Competition in consulting business

Strength

Strong asset base

Strong asset base supports the high generation capacities and in-turn higher revenues to the company. As of March 2020, the company own and operate more than 163,282 circuit kilometres network of transmission lines, 37,987 MVA transformation capacity and 248 substations that constitutes most of India's interstate and inter-regional electric power transmission system and carries electric power across India. The company's total Inter-regional power transfer capacity stood at 42,796 megawatts (MW). In FY2020, the number of tripping per line (unplanned) stood at 0.39, indicating high reliability of Power Grid transmission system. Additionally, the company provide consultancy services at national and international level in transmission sector based on the in-house expertise developed by the organization. For FY2020, the company maintained availability of the transmission network at 99.82% which is comparable to international standards. In the Telecom segment, the company has an all India broad band telecom network of 67,000 kilometers with 714 points of presence (PoPs) locations in FY2020. Power Grid provides Virtual Local Area Network (VLANs), Multi-Protocol Label Switching (MPLS) based VPNs services. The company monitors and maintains its infrastructure using advanced techniques and technologies for consistent high rates of availability for its transmission systems.

Return on Equity

Return on Equity (ROE) measures and assess company's profitability, based on relationship between net

profits and its averaged equity. Firm ROE shows Power Grid's efficiency in utilizing its equity base in delivering better results to its shareholders. In FY2020, the company's ROE stood at 21.25%. Its operating income improved INR216,588.4 million from INR200,021.1 million in the previous year.

Weakness

Trade receivables

Increasing receivables could adversely affect the company's cash flows. Power Grid has reported increase in its trade receivables. The company's trade receivables stood at INR50,407.1 million in FY2020, and INR47,281 million in FY2019. The company maintains a substantial amount of current assets in the form of receivables. In the FY2020, the company's trade and other receivables accounted for 26.8% of its current assets. Such increasing accounts receivable reflects inefficient credit management by the company. In the backdrop of recovering economic slowdown, the probability of defaults by any of creditors increased, may impact the overall financial position of the company.

Opportunity

Strategic acquisitions supports growth in business operations

The company acquired new businesses in recent times. Such business acquisitions indicate the company's potential, which could enable the company to improve its market position further. The company completed the acquisition of Meerut-Simbhavali Transmission Ltd, Fatehgarh-11 Transco Ltd from PFC Consulting Ltd, Ajmer Phagi Transco Limited, a Project SPV to establish a transmission system for Construction of Ajmer (PG)—Phagi 765 kV D/C line. The company also acquired Bhind Guna Transmission Limited from REC Transmission Projects Company, Khetri Transco Limited from REC Transmission Projects Company Limited.

Positive outlook for global renewable energy market

Positive outlook for the global renewable energy market has been growing at a rapid pace in the recent years. According to the International Energy Outlook reference case, electricity is the world's fastest-growing form of end-use energy consumption. The net electricity generation across the world is expected to increase 69% by 2040, from 25.8 trillion kWh in 2020. The electricity demand continues to increase particularly among the emerging non-Organization for Economic Cooperation and Development economies (non-OECD). With continued strong economic growth, the non-OECD share of world electricity generation increases to 61% to 22.3 trillion kWh by 2040. The shares of total generation for renewable energy sources and natural gas are forecasted to expand by 29% and 28% by 2040 respectively. The increase in renewable energy grows demand for battery storage systems which could benefit the company's operations.

Strategic agreements and contracts

The company entered into new agreements and contracts in recent times. Such agreements and

contracts indicate demand for the company's services in the market which could enable the company to improve its market position further. In September 2020, Powergrid and Ministry of Power, Govt. of India entered into a memorandum of understanding to focus on various parameters such as Financial, Physical, Project execution. In August 2020, Powergrid and ACTREC entered into a memorandum of understanding for construction of an operation theatre complex in Mumbai, Maharashtra, India.

Threat

Volatile electricity prices

The electricity prices are subject to considerable fluctuations in the utility industry. The volatility in electricity prices is driven by various factors such as demand for electricity, the number of market participants and the willingness of market participants to trade. Further, adequacy of generating reserve margins, scheduled and unscheduled outages of generating facilities, fuel prices, availability of stream flows for hydropower and constraints on the transmission facilities are some of the reasons for price volatility. Continuous fluctuations in the electricity prices could increase the operational costs thereby affecting the financial performance of the company.

Risks associated with operations in foreign countries

Power Grid currently undertakes consulting business in foreign countries, including Asia, Africa and Eurasia regions. The company carries out business activities in these regions directly or through project-specific consortiums with foreign partners. With governmental entities as clients, the company faces additional risks, such as risks associated with uncertain political and economic environments, political instability, and unfamiliar legal systems, laws, and regulations. Additionally, the company could be subject to expropriation or deprivation of assets or contract rights, interruptions from war or civil strife, foreign currency restrictions, exchange rate fluctuations and unanticipated taxes, or encounter potential incompatibility with foreign joint venture partners or consortium members. Regulatory changes in the foreign countries could require Power Grid to obtain licenses or permits in order to bid on contracts, conduct operations or enter into a consortium arrangement, joint venture, agency, or similar business arrangements with local businesses. Risks associated with managing geographically diverse operations could increase the complexity of conducting the business in these countries and could lead to increase in operating costs.

Competition in consulting business

Power Grid faces significant competition in the consulting and telecommunication businesses from Indian and international companies. Domestic consultancy projects are generally awarded without competitive bidding process. The company primarily competes for these projects with KEC International, Larsen & Toubro, Kalpataru Power Transmission, Gammon India, ABB, Areva T&D, and Siemens. International projects are awarded on a competitive bidding process. The company faces competition from Lahmeyer International, Fichtner and SMEC International. Many of the company's competitors in the consulting businesses are larger than Power Grid and have greater financial resources. They may benefit from greater economies of scale and operating efficiencies. These companies could present lower bids for contracts than Power Grid to win tenders. Therefore, intense competition in the growing stage could limit

the growth opportunities for the company.

Copyright of Power Grid Corporation of India Limited SWOT Analysis is the property of MarketLine, a Progressive Digital Media business and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.