


<h2 style="text-align: center;">Research Report</h2>	 <p style="text-align: center;">Spearhead FinServe PRIVATE LIMITED <small>A subsidiary of Spearhead Services Pvt Ltd</small></p>																
<h2 style="text-align: center;">Power Grid Corporation</h2>	<table> <tr> <td>Recommendation</td><td style="text-align: right;">Accumulate</td></tr> <tr> <td>Current Market Price</td><td style="text-align: right;">142</td></tr> <tr> <td>Target</td><td style="text-align: right;">170</td></tr> <tr> <td>Accumulation Price Band</td><td style="text-align: right;">130 - 145</td></tr> <tr> <td>Time Frame</td><td style="text-align: right;">6 months</td></tr> <tr> <td>Derivative Segment</td><td style="text-align: right;">Yes</td></tr> </table>	Recommendation	Accumulate	Current Market Price	142	Target	170	Accumulation Price Band	130 - 145	Time Frame	6 months	Derivative Segment	Yes				
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<h3 style="text-align: center;">Industry : Energy</h3>	<h4>Quick Glance</h4> <table> <tr> <td>Share Capital (Rs Cr)</td><td style="text-align: right;">5,231.59</td></tr> <tr> <td>Market Cap (Rs Cr)</td><td style="text-align: right;">73,608.00</td></tr> <tr> <td>Enterprise Value (Rs Cr)</td><td style="text-align: right;">149,303.24</td></tr> <tr> <td>Face Value (in Rs)</td><td style="text-align: right;">10.00</td></tr> <tr> <td>52 Week High/ Low (in Rs)</td><td style="text-align: right;">150.90/91.65</td></tr> </table>	Share Capital (Rs Cr)	5,231.59	Market Cap (Rs Cr)	73,608.00	Enterprise Value (Rs Cr)	149,303.24	Face Value (in Rs)	10.00	52 Week High/ Low (in Rs)	150.90/91.65						
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<h4>Company Overview</h4> <ul style="list-style-type: none"> • Incorporated in the 1989, Power Grid Corporation of India Ltd is India's principal electric power transmission company, engaged in the transmission of bulk power across different states of India. • The company owns and operates more than 95% of India's interstate and inter-regional electric power transmission system, through its business segments such as Transmission, Consultancy, Telecom and ULDC/ RLDC. • They have around 75,290 circuit kilometers of transmission network and 124 numbers of extra high-voltage alternating current and high-voltage direct current sub-stations with a total transformation capacity of 83,100 megavolt ampere 	<h4>Financials</h4> <table> <tr> <td>EPS (Rs)</td><td style="text-align: right;">8.69</td></tr> <tr> <td>Book Value (Rs)</td><td style="text-align: right;">59.90</td></tr> <tr> <td>P/E</td><td style="text-align: right;">16.00</td></tr> <tr> <td>P/BV</td><td style="text-align: right;">2.19</td></tr> <tr> <td>ROE</td><td style="text-align: right;">13.05</td></tr> <tr> <td>ROCE (%)</td><td style="text-align: right;">8.44</td></tr> <tr> <td>Dividend Yield (%)</td><td style="text-align: right;">1.95</td></tr> <tr> <td>Debt - Equity</td><td style="text-align: right;">2.49</td></tr> </table>	EPS (Rs)	8.69	Book Value (Rs)	59.90	P/E	16.00	P/BV	2.19	ROE	13.05	ROCE (%)	8.44	Dividend Yield (%)	1.95	Debt - Equity	2.49
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<h4>Industry Overview</h4> <ul style="list-style-type: none"> • Power demand (normal) in Apr-Aug period of 2014-15 increased by 8.10% to 463933 million units compared to 429156 million units in the corresponding previous unit, with an increase in the supply by 9.32% for the same period to 445547 million units. • Country's total generation capacity (excluding renewable & captive) as end of Aug 2014 stood at 221.7 GW with the country adding about 22.5 GW in the last 12 months ended Aug 2014. • For the first four months ended July 2014 the short term power market volume was down by 7.4% (to 32971.02 million units) compared to 35600.43 million units in the corresponding previous period. While the bilateral direct and UI volume was down by 18.5% and 14.8% respectively the bilateral trader/px as well as that of power exchange was down by 2.8% and 1.6% respectively • Majority of power generation majors of the country witness steady growth in generation aided by new generation capacity coming on stream and marginal improvement in off-take with low cost hydel power generation declining in major load centers. • Efforts to put back the sector on growth path though is on, the uncertainty surrounding the cancellation of captive coal blocks and the impact of the same on domestic coal production and availability as well as compensatory tariff for rise in imported cost of coal as well as delay in finalizing gas pricing and ensuring of coal supply through MoU route for identified projects are not good for the sector as well as industry players 	<h4>Highlights</h4> <table> <tr> <td>Debt (Rs Cr)</td><td style="text-align: right;">83,169.85</td></tr> <tr> <td>Reserves (Rs Crs)</td><td style="text-align: right;">29,228.04</td></tr> <tr> <td>FII Holdings (%)</td><td style="text-align: right;">1.23</td></tr> <tr> <td>MF Holdings (%)</td><td style="text-align: right;">2.88</td></tr> <tr> <td>Free Float Market Capitalization (Rs Cr)</td><td style="text-align: right;">30,651.00</td></tr> <tr> <td>Beta</td><td style="text-align: right;">0.58</td></tr> <tr> <td>Avg Volume Per day (no. of shares)</td><td style="text-align: right;">2,254,571</td></tr> <tr> <td>Avg Volume Per Month (no. of shares)</td><td style="text-align: right;">14,538,787</td></tr> </table>	Debt (Rs Cr)	83,169.85	Reserves (Rs Crs)	29,228.04	FII Holdings (%)	1.23	MF Holdings (%)	2.88	Free Float Market Capitalization (Rs Cr)	30,651.00	Beta	0.58	Avg Volume Per day (no. of shares)	2,254,571	Avg Volume Per Month (no. of shares)	14,538,787
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<h4>Key Highlights</h4> <ul style="list-style-type: none"> • PGCIL has revised its capex target in 12th Five Year Plan in FY14 to Rs1,100 bn from Rs1,000 bn due to addition of additional bidding based projects worth Rs100bn for Green Energy Corridors and other projects • The company in FY15 plans to add 15,000km transmission lines and 15 sub-stations with a capacity of 30,000MVA. 																	
<h4>Key Risks</h4> <ul style="list-style-type: none"> • Meaningful delay in project execution owing to delay in obtaining right of way. • Continued delays in generation projects may slow down the growth momentum for PGCIL • Lower equity contribution of below 30% would be negative for PGCIL in long run. 																	

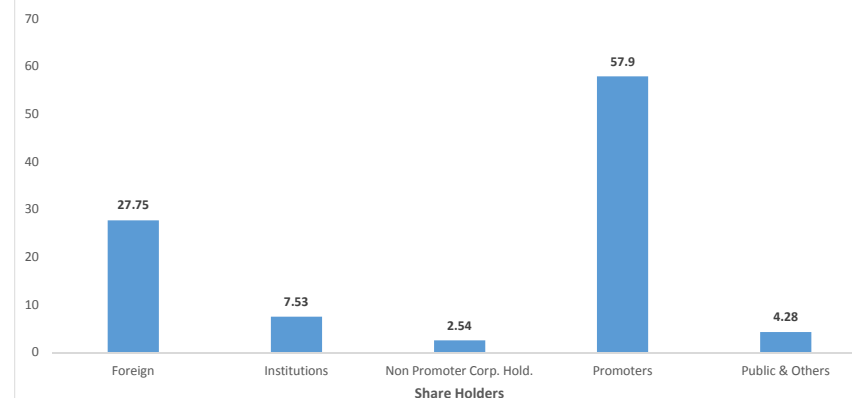
Financial Highlights

Income Statement (Annual)					
Particulars (Rs Cr)	2014	2013	2012	2011	2010
Net Sales	15,230.28	12,757.85	10,164.27	8,388.70	7,127.45
EBITDA	13,426.95	11,532.00	9,113.40	7,649.56	6,149.25
EBITDA Margin	88.16	90.39	89.66	91.19	86.28
Depreciation	3,995.68	3,351.92	2,572.54	2,199.39	1,979.69
Interest	3,167.52	2,535.22	1,943.26	1,625.44	1,543.24
Other Income	786.69	973.53	875.31	873.32	496.96
PBT	6,263.75	5,644.86	4,597.60	3,824.73	2,626.32
APAT	4,497.42	4,234.50	3,254.95	2,696.89	2,040.94
PAT Margin (%)	29.53	33.19	32.02	32.15	28.63
Earnings Per Share	8.16	8.70	6.69	5.54	4.60

Balance Sheet					
Particulars (Rs Cr)	2014	2013	2012	2011	2010
Equity Share Capital	5,231.59	4,629.73	4,629.73	4,629.73	4,208.84
Reserves and Surplus	29,228.04	21,609.74	18,858.05	16,737.27	11,931.88
Tangible Net Worth	89,027.76	73,338.03	58,031.40	46,361.82	34,416.79
Deferred Tax Liability :	5,941.14	5,487.94	5,059.67	6,007.81	755.31
Long Term Debt	75,695.24	62,626.82	48,670.50	36,637.03	33,886.37
Short Term Debt	7,474.61	5,561.05	4,731.41	4,245.74	530.42
Total Debt	83,169.85	68,187.87	53,401.91	40,882.77	34,416.79
Current Liabilities	12,169.48	8,828.59	6,031.62	4,287.19	9,848.23
Total Provisions	968.29	768.56	1,056.93	2,559.08	2,458.45
Total Liabilities	124,008.61	99,577.50	81,519.18	67,728.82	50,557.51
Gross Block	96,503.66	80,600.05	63,397.81	50,353.82	43,213.25
Net Fixed Assets	73,154.07	61,400.64	47,662.30	37,223.98	32,061.26
Investments	998.68	1,147.50	1,284.45	1,398.35	1,453.22
Current Assets	8,916.32	5,916.08	6,146.89	9,442.27	9,627.48
Deferred Tax Asset :	3,498.18	3,528.78	3,458.79	4,861.07	51.80
Receivables	1,578.46	1,434.09	1,497.49	1,114.00	2,214.86
Inventories	712.67	551.78	440.57	381.77	345.06
Cash	4,417.52	1,661.97	2,336.88	3,680.06	3,277.64
Total Assets	124,008.61	99,577.50	81,519.18	67,728.82	50,557.51

Income Statement (Quarterly)								
Particulars (Rs Cr)	2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net Sales	3,934.06	3,683.29	3,981.64	3,553.75	3,373.76	3,361.67	3,085.77	2,888.25
EBITDA	3,580.46	3,219.11	3,488.13	3,139.25	3,084.47	3,050.98	2,840.24	2,556.31
EBITDA Margin	91.01	87.40	87.61	88.34	91.43	90.76	92.04	88.51
Depreciation	1,075.03	990.27	965.98	964.40	904.89	865.37	825.15	756.51
Interest	818.91	787.35	801.41	759.85	674.72	684.82	529.55	646.13
Other Income	197.36	114.76	104.94	74.07	234.84	121.29	124.07	90.34
PBT	1,686.52	1,441.49	1,720.74	1,415.00	1,504.86	1,500.79	1,485.54	1,153.67
APAT	1,175.84	1,042.04	1,239.20	1,040.34	1,109.44	1,129.06	1,125.89	870.37
PAT Margin (%)	29.89	28.29	31.12	29.27	32.88	33.59	36.49	30.13
Earnings Per Share	2.24	2.20	2.67	2.25	2.40	2.44	2.43	1.88

Share Holding Pattern (%)

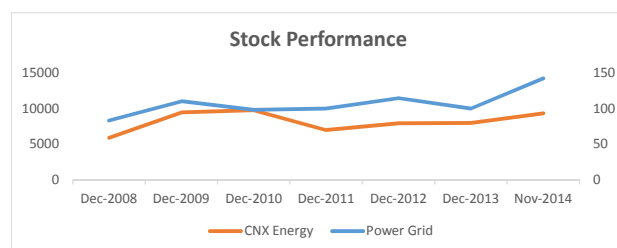


Key Financial Indicators						
Particulars	Units	2014	2013	2012	2011	2010
Revenue	Crs	15,230.28	12,757.85	10,164.27	8,388.70	7,127.45
EBITDA Margins	%	88.16	90.39	89.66	91.19	86.28
PAT	Crs	4,497.42	4,234.50	3,254.95	2,696.89	2,040.94
PAT Margins	%	29.53	33.19	32.02	32.15	28.63
Revenue Growth	%	19.38	25.52	21.17	17.70	25.26
EBITDA Growth	%	16.43	26.54	19.14	24.40	23.86
PAT Growth	%	6.21	30.09	20.69	32.14	20.72
Gearing	times	2.49	2.45	2.10	2.01	2.03
ROCE	%	8.44	9.03	8.77	9.22	8.88
ROE	%	13.05	16.14	13.86	12.62	12.64

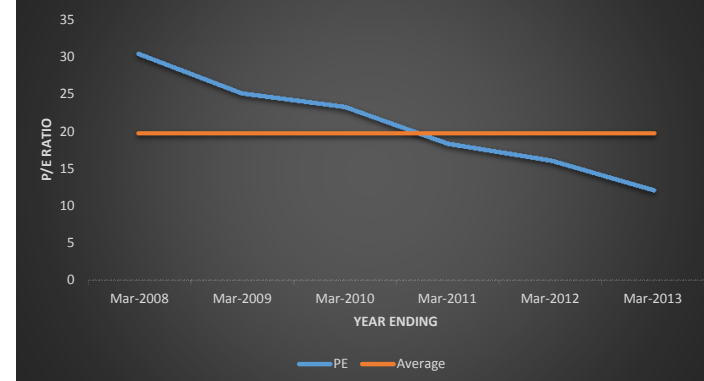
Peer Comparison				
Particulars	Units	Power Grid	NTPC	Tata Power
Revenue	Rs Cr	15,230.28	72,644.02	8,690.38
EBITDA Margins	%	88.16	28.24	33.91
PAT	Rs Cr	4,497.42	10,997.01	940.03
PAT Margins	%	29.53	15.11	10.98
Gearing	%	2.49	0.75	0.84
EPS	Rs / Share	8.69	12.87	(1.51)
PE	times	16.00	10.99	-
P/BV	times	2.19	1.24	1.60
ROCE	%	8.44	10.90	9.42
ROE	%	13.05	12.81	7.29
EV/EBITDA	times	9.96	7.35	10.57

Stock Performance vis-a-vis Index

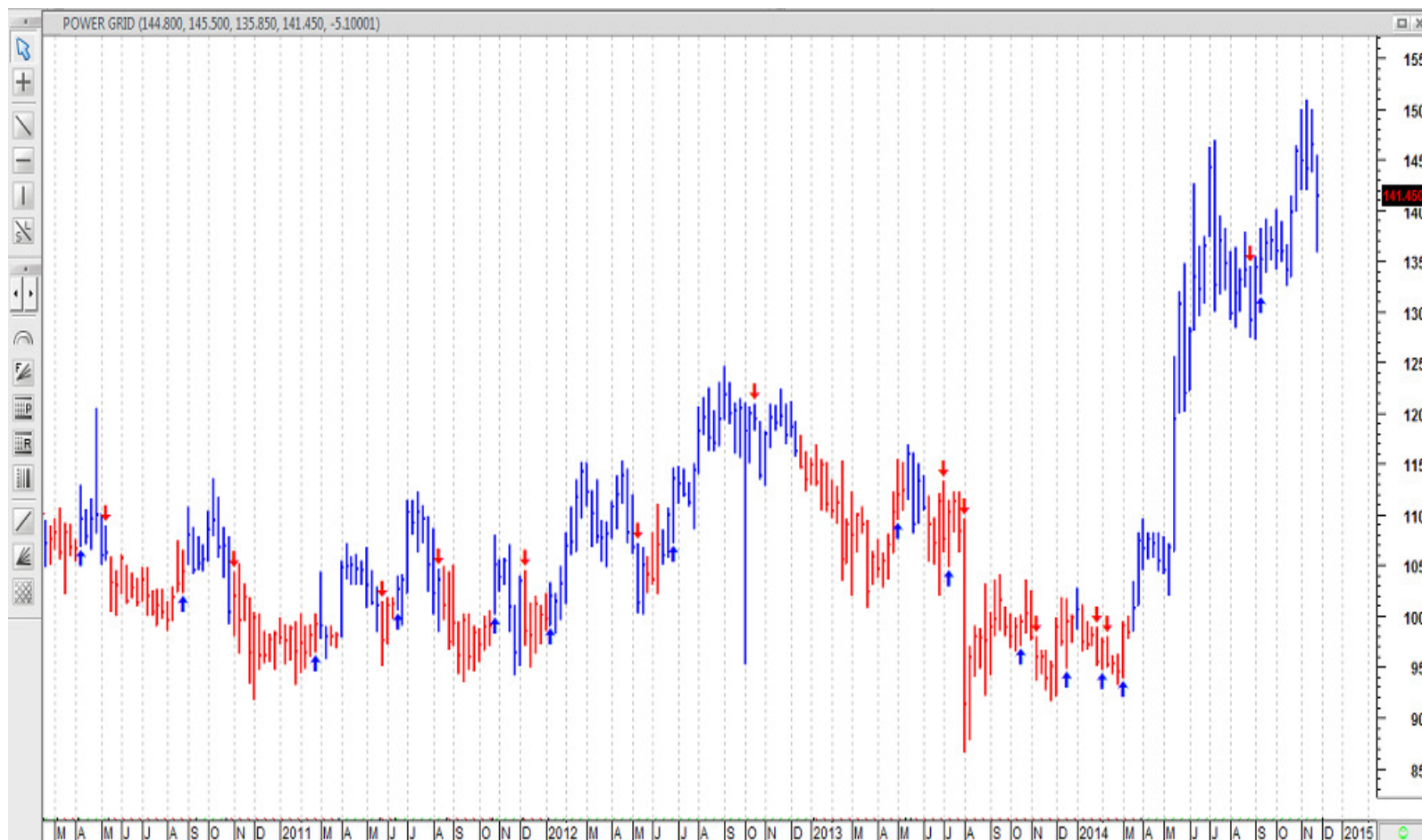
Particulars	Return	
	YTD	QTD
Power Grid	39%	2%
CNX Energy	34%	7%



Valuation Chart



Technical Outlook



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