

April 28, 2021

IPO Note

IPO Fact Sheet

Opening Date	April 29, 2021
Closing Date	May 3, 2021
BRLMs	Axis Capital, ICICI Securities, Edelweiss Financials, HSBC Securities.
Issue Size	Rs77.4bn
Price Band	Rs99-100 per unit
No. of units at upper band	773.5mn
No. of units at lower band	781.3mn
Bid lot	1,100 units

Issue Structure

QIB	Not more than 75% of the net offer
Anchor Investors	Up to 60% of QIB portion, on a discretionary basis
Retail	Not less than 25% of the Offer

Issue Timeline

Finalisation of Basis of Allotment	May 10 2021
Refund/Unblocking ASBA Funds	May 11 2021
Allotment of Units	May 11 2021
Trading Commences	May 17 2021

Object of the Issue

The Issue comprises a Fresh Issue and an Offer for Sale. New proceeds of the fresh issue are proposed to be utilized for:

1. Providing loans to the Initial Portfolio Assets for Repayment / prepayment, of borrowings
- 2.. General corporate purposes

Sponsor/Project Manager

Power Grid Corporation of India Ltd.

Investment Manager

Powergrid Unchahar Transmission Ltd.

Trustee

IDBI Trusteeship Services Ltd.

Viral Shah

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Nilesh Soni

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Attractive candidate to play the monopoly

PGInVIT is an infrastructure investment trust ("InVIT") established in Sep'20 to own interstate power transmission assets in India. Of 23 inter-state power transmission projects owned by the Sponsor, Power Grid Corporation of India (PGCIL)- PGInVIT will initially acquire five projects (Initial Portfolio Assets) with a total network of 11 transmission lines, including six 765 kV transmission lines and five 400 kV transmission lines, with total circuit length of approximately 3,698.6ckm. Each of the Initial Portfolio Assets have been completed and are revenue-generating for more than a year.

We recommend SUBSCRIBE rating to the IPO given a) competitive advantage of its sponsors, b) consistent and stable cash flow, c) strategic and critical nature of power transmission business and d) strong financial positioning. PGInVIT's revenue/EBITDA/Adj.PAT grew at a CAGR of 96.3%/95.8%/82.2% over FY18-20 on back of commissioning new assets. At upper end of price band, we expect PGInVIT to generate an IRR of ~9%, over the life of assets.

Strong lineage and support from Sponsor: PGInVIT's sponsor, PGCIL was conferred with 'Navratna' status in May'08 and later upgraded to 'Maharatna' in Oct'19. It is third largest CPSE in terms of gross block and largest in terms of transmission lines length (ckms) having 85%+ market share in India's cumulative inter-regional power transfer capacity.

Consistent and stable cash flow generation: Revenues are derived out of contracted tariffs under long-term contracts (up to 35 years) with low operating and maintenance costs. Payment securities in form of revolving letter of credit, surcharge of 1.25% for late payments and lack of alternate power infrastructure deters beneficiaries from defaulting. This mechanism diversifies counter party risks, ensures a stable cash flow independent of asset utilization and provides payment security.

Strong financial position: PGInVIT holds credit rating of provisional [ICRA] AAA (Stable), CARE AAA (Is) and Stable and Provisional CCR AAA/Stable by ICRA, CARE and CRISIL respectively. Its consolidated borrowings will be below 49% of the total value of assets, post utilization of IPO proceeds. Low debt position on balance sheet will provide an ability to finance growth for this business without substantial dilution in the near future.

Strategic nature of power transmission infrastructure: Each of the Initial Portfolio Assets are located in strategically important areas for electricity transmission connectivity. They deliver power from generating centers to load centers for meeting inter-regional power deficits. Developing alternate lines may be challenging due to the terrain, challenges in obtaining rights of evacuation, limited corridors and high construction costs. However, the sponsor is at an advantage as it can capitalize this opportunity to increase capacity by upgrading existing corridors.

Key Risks: a) Newly settled trust with no operating history, b) May be unable to operate and maintain its power transmission projects to achieve prescribed availability, c) Difficult to offset likely increase in O&M cost, d) Delay in payments may affect business prospects in the long run.

Investment Rationale

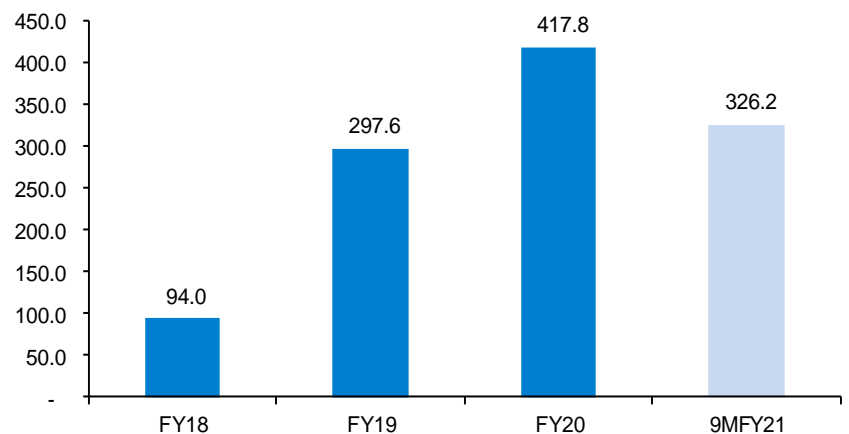
Strong lineage and support from Sponsor

The Sponsor, PGCIL's 'Maharatna' status not only provides strategic and operational flexibility but also enhanced financial autonomy to take certain investment decisions without seeking approval from Gol. Its experience and expertise provides significant competitive advantage within Indian power transmission industry. The company engages in project planning, designing, financing, constructing, operating and maintaining power transmission projects across India. Further it undertakes operations in the Indian telecom infrastructure sector and provides transmission & distribution consultancy services in India and other jurisdictions alongside training facilities for professionals in transmission technology and management. In FY20, PGCIL's market share in transmission charges for ISTS billed by the CTU stood at 85%+.

Consistent and stable cash flows from assets

PGInVIT derives revenue for electricity transmission from contracted transmission charges primarily consisting of fixed transmission charges with no escalation and variable transmission charges in certain cases under long term TSAs (~35 years) which provide stability, consistent cash flows and long term visibility in revenue. Currently, the assets have an average life over 32 years of residual tenure with TSA and with required renovation works, the useful life of transmission assets can be extended upto 50 years, according to technical reports. Any shortfall in collection of transmission charges by CTU, due to delayed payment, partial payment or non-payment by DICs, is shared on a pro-rata basis by all inter-state transmission services licensees and deemed inter-state transmission services entitled to receive a surcharge of 1.50% per month on the unpaid amount. Such mechanism diversifies counter party risk and ensures stable cash flows independent of asset utilization in the hands of transmission customers providing payment security. PGInVIT's asset has maintained annual availability of 98%+ post commissioning and received an annual incentive revenue of Rs417.8mn in FY20.

Exhibit 1: Incentive income (Rs mn) grew 40% in FY20

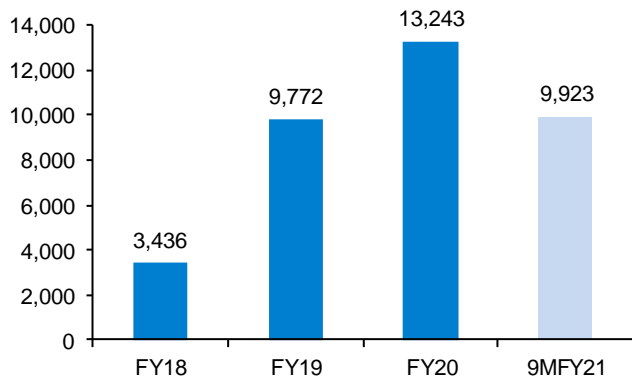


Source: Company, PL

Strong financial position

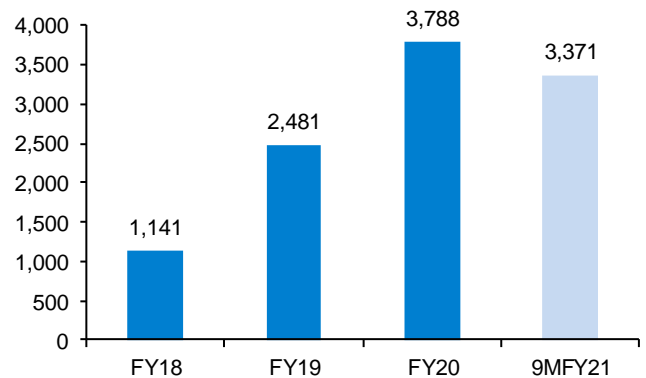
PGInVIT has a strong financial position after reporting profits of Rs3,371.4mn, Rs3,788.2mn, Rs2,480.6mn and Rs1,141.3mn in 9MFY21, FY20, FY19 and FY18 respectively. Further it has credit rating of Provisional [ICRA] AAA (Stable) by ICRA Limited, CARE AAA (Is) by CARE Ratings & Stable and Provisional CCR AAA/Stable by CRISIL Ratings. PGInVIT's consolidated borrowings will be below 49% of the total value of assets, post utilization of IPO proceeds to repayment /prepayment of debt. Low debt position will provide an ability to finance growth for this business without substantial dilution, in the near future. Additionally, the security of payments for transmission service by IPA, as ensured under the terms of TSAs and CERC Sharing Regulations, will result in low receivables risk, ensuring timely payment and increase in financial strength.

Exhibit 2: Revenue (Rs mn) grew 36% in FY20



Source: Company, PL

Exhibit 3: PAT (Rs mn) reported healthy 53% growth in FY20



Source: Company, PL

Strategic nature of power transmission infrastructure

In general, power transmission projects are strategic and critical assets since they operate as vital links in the power supply value chain. Further, these are capital intensive and complex to develop since they are linear in nature. The construction, development and implementation of a transmission project involves various challenges, such as, difficult terrains, obtaining approvals and right of way, land acquisition issues and construction costs. The transmission lines are predominantly located in areas where developing alternate lines may be difficult due to these challenges. Hence, PGInVIT is in an advantageous position to capitalize on opportunities that may arise for increasing power transmission capacity by utilizing existing right of way, since developing alternate and new lines may be challenging for another entity.

Skilled and experienced Investment Manager

PGInVIT is managed by qualified personnel of the Investment Manager who have management and operational experience in the power transmission sector and established track records in negotiating, structuring, managing and financing investments of power transmission assets. Their experience and leadership will contribute to growth and success and will position the Initial Portfolio Assets to be operated and managed in an efficient manner. Further, Investment Manager has implemented a corporate governance framework which includes corporate governance requirements in addition to those prescribed under the InVIT Regulations.

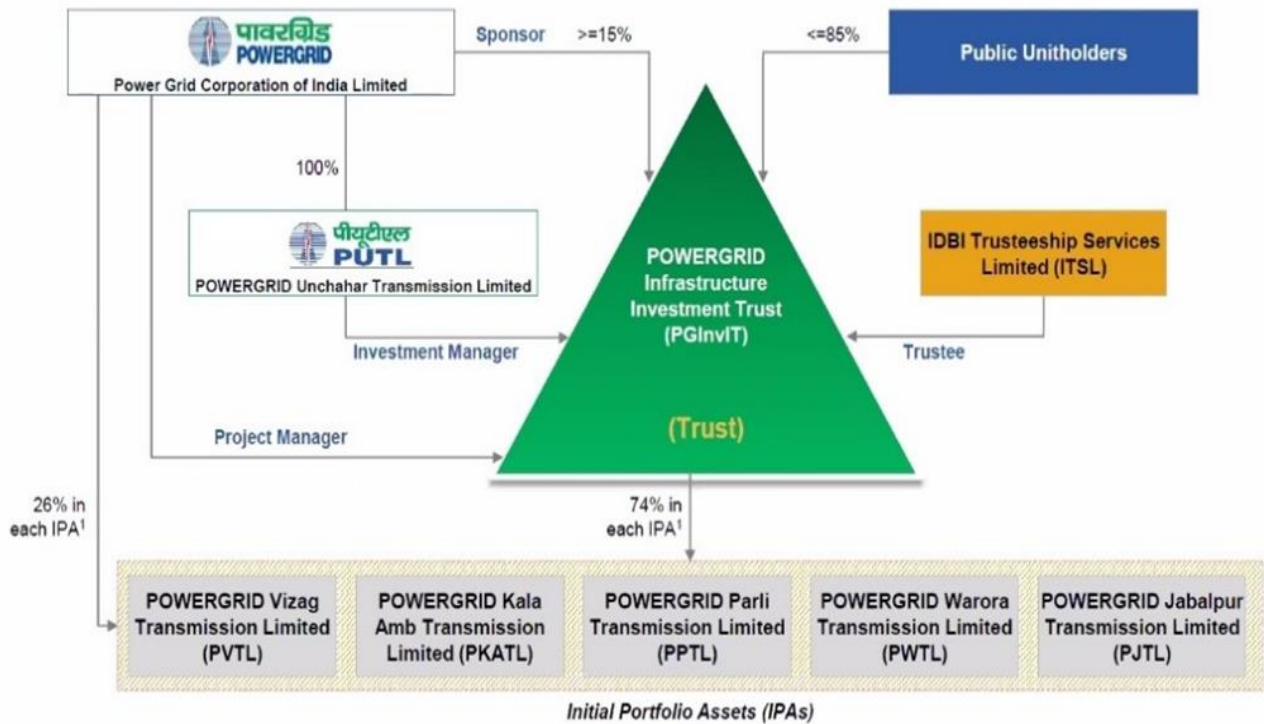
Government support and an established regulatory framework

The transmission segment of the Indian power sector is a regulated sector with an established regulatory framework. The current regulatory framework for the Indian power transmission segment provides significant risk mitigation provisions, such as, availability-based payment structure with no volume risk and the billing, collection and disbursement procedure for adequate payment with limited price risk. Such provisions help in ensuring long-term visibility on returns and predictable cash flows. Further, the GoI has also been supportive in securing settlement of outstanding dues by designated inter-state transmission system customers and in addressing right of way issues, as well as expediting forest clearances that are required during implementation of projects.

PGInVIT Overview

PGInVIT is an infrastructure investment trust ("InVIT") established to own, construct, operate, maintain and invest in power transmission assets. It was established on Sep 14, 2020 by its Sponsor, Power Grid Corporation of India (PGCIL), and is registered with SEBI pursuant to the InVIT Regulations. PGCIL is the third largest CPSE in terms of gross block and is the largest power transmission in terms of length of transmission lines (ckms) having 85% plus share in India's cumulative inter-regional power transfer capacity. PGInVIT is well positioned to take advantage of the growth potential of India's power transmission industry given their financial position, support from Sponsor and robust regulatory framework for power transmission in India. It is also focused on providing stable and sustainable distributions to their Unitholders.

Exhibit 4: PGInVIT structure



Source: Company, PL

Initial Portfolio Assets overview

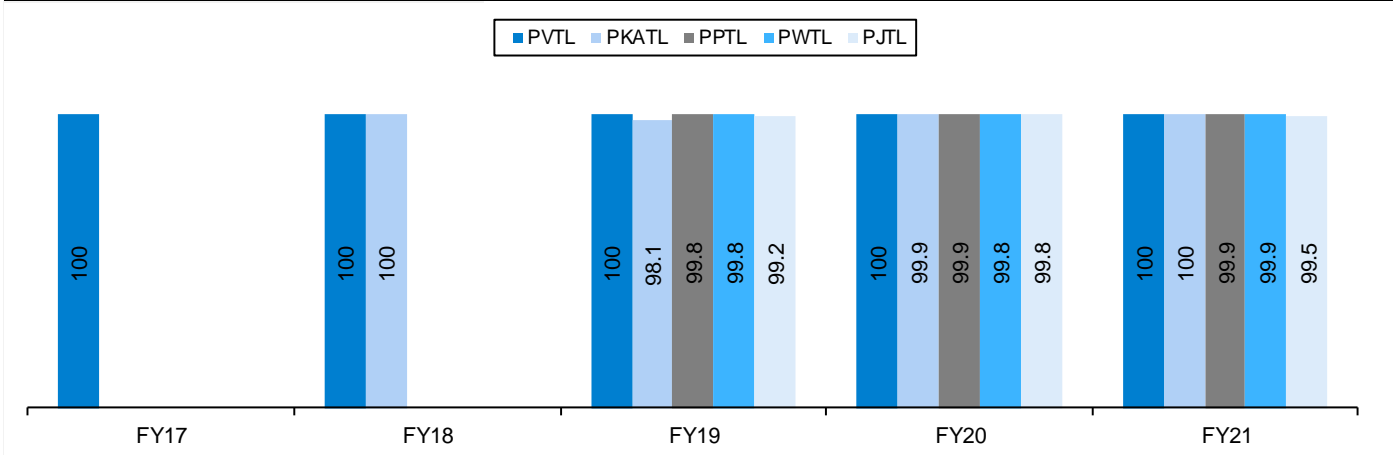
Initial Portfolio Assets comprises of five power transmission projects located across five states of India. The projects comprise 11 transmission lines, including six 765 kV transmission lines and five 400 kV transmission lines, with a total circuit length of approximately 3,698.6ckm, and three substations with 6,630MVA of an aggregate transformation capacity and 1,955.7km of optical ground wire. Each IPA has a long-term TSA of 35 years from the Scheduled COD.

Exhibit 5: Summary Initial Portfolio Assets

Project Name	Transmission lines (including any stations/substations)	Specifications	Line length (in ckm)	Transformation Capacity (in MVA)	COD	Expiry of term of TSA
POWERGRID Vizag Transmission Limited	Khammam (Existing) – Nagarjuna Sagar	400 kV D/C	289	-	03-Jan-16	31-Jan-52
	Srikakulam PP – Vemagiri-II Pooling Station	765 kV D/C	668	-	01-Feb-17	
POWERGRID Kala Amb Transmission Limited	LILO of both circuits of Karcham Wangtoo – Abdullapur transmission line at Kala Amb substation (on M/C towers)	400 kV D/C	2	-	12-Jul-17	11-Jul-52
	400/220 kV GIS substation at Kala Amb	400 kV / 220 kV GIS substation	-	630	12-Jul-17	
	40% Series compensation on 400 kV Karcham Wangtoo – Kala Amb (Quad) D/C line at Kala Amb ends		-	-	12-Jul-17	
POWERGRID Parli Transmission Limited	Parli (New) - Solapur	765 kV D/C	236	-	27-Apr-18	03-Jun-53
	Parli (New) – Parli (PG)	400 kV D/C	37	-	27-Apr-18	
	2x1500 MVA, Parli (New) S/S	765/400 kV substation	-	3,000	27-Apr-18	
	Warora (Pooling Station) – Parli (New)	765 kV D/C	694	-	04-Jun-18	
POWERGRID Warora Transmission Limited	Interim Arrangement	765 kV D/C	31	-	30-Nov-16	09-Jul-53
	Gadarwara STPSJabalpur Pool	765 kV D/C	174	-	31-May-17	
	LILO of both circuits of Wardha Parli (PG) 400 kV D/C line at Warora Pooling Station (Quad)	400 kV D/C	196	-	16-May-18	
	Gadarwara STPSNew Pooling Station within the jurisdiction / boundary of Warora	765 kV D/C	627	-	10-Jul-18	
	2x1500 MVA 765/400 kV (New Pooling Station within the jurisdiction / boundary Warora)	765/400 kV substation	-	3,000	10-Jul-18	
POWERGRID Jabalpur Transmission Limited	Vindhyachal Pooling Station- Jabalpur Pooling Station	765 kV D/C	745	-	25-Jun-18	24-Jun-53
Total			3,698.59	6,630		

Source: Company, PL

All IPA's has been maintaining its plant availability factor (PAF) in excess of 98% since date of commencement, ensuring regular incentive for the company.

Exhibit 6: PAF Availability of Initial Portfolio Assets


Source: Company, PL Note - PVTL FY17 PAF is for the months of February 2017 – March 2017, PKATL FY18 PAF is for the months of December 2017 – March 2018, PPTL FY19 PAF is for the months of June 2018 – March 2019, PWTL FY19 PAF is for the months of July 2018 – March 2019, PJTL FY19 PAF is for the months of January 2019 – March 2019

Exhibit 7: Valuation Summary as per RHP for SPV's

SPV	WACC	Enterprise Value	Equity Value	No. of Equity shares (mn)	Value per equity share
PVTL	7.8%	23,136	15,314	210	73
PKATL	7.6%	4,535	2,680	61	44
PPTL	7.7%	25,976	13,139	322	41
PWTL	7.7%	29,037	13,680	393	35
PJTL	7.6%	21,163	9,582	227	42

Source: Company, PL

Exhibit 8: Key management personnel

Seema Gupta	Chairman and Non-Executive Director	She holds a degree in engineering and post graduate diploma in management with 36+ years of experience in power sector and 7 years in NTPC. She has handled multi- disciplinary functions like commercial, international business, corporate planning, corporate monitoring group and CTU in the PGCIL.
Ashok Kumar Singhal	Non-Executive Director	He holds bachelor's degree in electrical engineering and post graduate diploma in management with 34+ years of experience in power transmission sector. He has extensive experience in engineering, corporate planning, financial related matters, project monitoring and Tariff Based Competitive Bidding Process. He is Executive director in the PGCIL.
Pursottam Agarwal	CEO	He is Chartered Accountant and holds bachelor's of commerce degree, with 27+ years of experience in inter alia, finance and accounts, fund raising from capital market and enterprise resource planning systems.
Sunil Kumar Sharma	Independent Director	He holds bachelor's degree in engineering and is MBA from Bangalore University with ~4 decades of experience and has served as CMD of Bharat Electronics Ltd. He steered the development and execution of large defence projects and complex information technology based national e-governance projects.
M.N, Venkatesan	Independent Director	He has 36+ years of experience as Chartered Accountant, specializing in management and financial consultancy. He is senior Partner of M.R. Narain and Co. Chartered Accountant, Chennai. He had served on board of directors of Indian Overseas Bank from 2002 to 2008

Source: Company, PL

Key Risk

Newly settled trust with no established operating history

The Trust was set-up on September 14, 2020 and proposes to acquire a part of the shareholding of the Sponsor in each of its Initial Portfolio Assets immediately prior to the Allotment. Accordingly, the Trust does not have any operating history or its own historical financial information by which its past performance may be assessed.

May be unable to operate and maintain power transmission projects to achieve prescribed availability

PGInVIT operates power transmission projects under an availability-based tariff regime. If availability falls below 95% for a particular project, PGInVIT is subject to a penalty computed in accordance with the formula specified in the TSAs, which shall be apportioned in the ratio of the transmission charges paid or actually payable by customer's existing at the end of the relevant contract year.

Unable to offset increase in O&M cost

Operation and maintenance costs of assets may increase due to factors beyond control and may not be able to offset by rise in operation and maintenance costs. Significant increase in operation and maintenance costs may reduce profits and could adversely impact business, financial condition, results of operations and cash flows.

Delay in Payments

A delay in payments of billed transmission charges by the DICs to the CTU may adversely affect business, prospects, financial condition, results of operations and cash flows.

Annexure

Powergrid Vizag Transmission Ltd. (PVTL)

PVTL was set up for system strengthening in Southern region for import of power from Eastern region; consisting of Srikakulam-Vemagiri 765 kV D/C transmission line and Khammam – Nagarjuna Sagar 400 kV D/C transmission line in Andhra Pradesh. It commenced its operation in Feb'17 and has residual life of 31.5 years. Using the DCF valuation method the enterprise value of PVTL comes at Rs23.1bn and Equity value at Rs15.3bn as per RHP.

Exhibit 9: PVTL Discounted Cash Flow Analysis

Financials (Rs bn)	9M'21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36	FY37
Revenue	0.8	3.0	2.4	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
EBIT	0.6	2.5	2.0	1.8	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
FCFF	0.8	2.4	2.1	1.8	1.8	1.8	1.8	1.7	1.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
PV of FCFF	0.8	2.3	1.8	1.5	1.3	1.2	1.1	1.0	1.0	0.9	0.8	0.8	0.7	0.7	0.6	0.6	0.5

Financials (Rs bn)	FY38	FY39	FY40	FY41	FY42	FY43	FY44	FY45	FY46	FY47	FY48	FY49	FY50	FY51	FY52	TY
Revenue	2.2	2.2	2.2	2.2	2.2	2.2	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	1.7	2.1
EBIT	1.7	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.5	1.5	1.5	1.2	1.5
FCFF	1.7	1.7	1.7	1.7	1.7	1.7	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.1	1.1
PV of FCFF	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1

Particulars	Rs bn
Present value of FCFF for explicit period	21.7
Present value of Terminal Value	1.4
Enterprise Value	23.1
Equity Value	15.3

Source: Company, PL

Powergrid Kala AMB Transmission Ltd. (PKATL)

PKATL was set up to meet the present and future load requirements at Kala Amb/ Poanta/ Giri area in Himachal Pradesh. The project consists of construction of sub-station at Kala Amb and LILO of both circuits of 400 kV D/C Karcham Wangtoo - Abdullapur line on BOOM basis. It commenced its operation in Jul'17 and has a residual life of 31.6 years. Using the DCF valuation method the enterprise value of PKATL comes at Rs4.5bn and equity value at Rs2.7bn as per RHP.

Exhibit 10: PKATL Discounted Cash Flow analysis (Rs bn)

Financials (Rs bn)	9M'21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36	FY37	FY38
Revenue	0.2	0.7	0.7	0.7	0.7	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
EBIT	0.2	0.6	0.5	0.5	0.5	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
FCFF	0.1	0.4	0.5	0.4	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
PV of FCFF	0.1	0.4	0.5	0.4	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1

Financials (Rs bn)	FY39	FY40	FY41	FY42	FY43	FY44	FY45	FY46	FY47	FY48	FY49	FY50	FY51	FY52	FY53	TY
Revenue	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.1	0.5
EBIT	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2
FCFF	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1
PV of FCFF	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Particulars	Rs bn
Present value of FCFF for explicit period	4.4
Present value of Terminal Value	0.2
Enterprise Value	4.5
Equity Value	2.7

Source: Company, PL

Powergrid Parli Transmission Ltd. (PPTL)

PPTL was set up for evacuation and supply of power from the Gadarwara STPS, of NTPC, to the beneficiaries with reliability and security. The project includes Gadarwara STPS – Jabalpur Pool 765 kV D/C line, Gadarwara STPS – Warora Pool-Parli-Solapur 765 kV D/C line and was split into two parts viz. Part A and Part B. The instant project pertains to Part B. It commenced its operation in Jun'18 and has the residual life of 32.5 years. Using the DCF valuation method the enterprise value comes at Rs26bn and equity value at Rs13.1bn, as per RHP.

Exhibit 11: PPTL Discounted Cash Flow Analysis (Rs bn)

Financials (Rs bn)	9M'21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36	FY37	FY38
Revenue	0.8	3.3	3.3	3.3	3.3	3.3	3.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
EBIT	0.6	2.6	2.6	2.6	2.6	2.6	2.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.5	1.5	1.5
FCFF	1.1	3.1	2.6	2.5	2.5	2.5	2.4	1.9	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.5	1.5	1.5
PV of FCFF	1.1	2.9	2.3	2.1	1.9	1.7	1.6	1.1	0.9	0.9	0.8	0.7	0.7	0.6	0.6	0.5	0.5	0.4

Financials (Rs bn)	FY39	FY40	FY41	FY42	FY43	FY44	FY45	FY46	FY47	FY48	FY49	FY50	FY51	FY52	FY53	FY54	TY
Revenue	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	0.4	2.3
EBIT	1.5	1.5	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.3	1.3	0.2	1.2
FCFF	1.5	1.5	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.3	1.3	0.2	0.9
PV of FCFF	0.4	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.1

Particulars	Rs bn
Present value of FCFF for explicit period	24.9
Present value of Terminal Value	1.0
Enterprise Value	26
Equity Value	13.1

Source: Company, PL

Powergrid Warora Transmission Ltd. (PWTL)

PWTL was set up for evacuation and supply of power from the Gadawara STPS, of NTPC, to the beneficiaries. The project includes Gadawara STPS – Jabalpur Pool 765 kV D/C line, Gadawara STPS – Warora Pool-Parli-Solapur 765 kV D/C line and was split into two parts viz. Part A and Part B. The instant project pertains to Part A. It has commenced its operation in Jul'18 and has a residual life of 32.6 years. Using the DCF valuation method the enterprise value comes at Rs29bn and equity value at Rs13.7bn, as per RHP.

Exhibit 12: PPTL Discounted Cash Flow Analysis (Rs bn)

Financials (Rs bn)	9M'21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36	FY37	FY38
Revenue	0.9	3.6	3.6	3.6	3.6	3.6	3.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
EBIT	0.7	2.9	2.8	2.8	2.8	2.8	2.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
FCFF	0.9	3.3	3.2	2.9	2.8	2.8	2.7	2.1	1.9	1.8	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.7
PV of FCFF	0.9	3.1	2.8	2.3	2.1	1.9	1.8	1.3	1.0	1.0	0.9	0.8	0.7	0.7	0.6	0.6	0.5	0.5

Financials (Rs bn)	FY39	FY40	FY41	FY42	FY43	FY44	FY45	FY46	FY47	FY48	FY49	FY50	FY51	FY52	FY53	FY54	TY
Revenue	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	0.7	2.6
EBIT	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5	0.4	1.4
FCFF	1.7	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.5	1.5	1.5	0.4	1.1
PV of FCFF	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.0	0.1

Particulars	Rs bn
Present value of FCFF for explicit period	27.8
Present value of Terminal Value	1.3
Enterprise Value	29
Equity Value	13.7

Source: Company, PL

Powergrid Japalpur Transmission Ltd. (PJTL)

PJTL was set up for evacuation and supply of power from the Vindhyachal-V to the beneficiaries of the generation project which include Vindhyachal Pool – Jabalpur Pool 765kV D/c line. It commenced its operation in Jan'19 and has a residual life of ~33.1 years. Using the DCF valuation method the enterprise value comes at Rs21.2bn and equity value at Rs9.6bn, as per RHP.

Exhibit 13: PJTL Discounted Cash Flow Analysis (Rs bn)

Financials (Rs bn)	9M'21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36	FY37	FY38	
Revenue	0.6	2.5	2.5	2.5	2.5	2.5	2.5	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	
EBIT	0.5	2.0	2.0	2.0	2.0	2.0	2.0	1.3	1.3	1.3	1.3	1.3	1.2	1.2	1.2	1.2	1.2	1.3	1.2
FCFF	0.6	2.4	2.2	2.1	2.0	2.0	2.0	1.5	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.2	1.2	1.2
PV of FCFF	0.6	2.3	1.9	1.7	1.5	1.4	1.3	0.9	0.8	0.7	0.6	0.6	0.5	0.5	0.5	0.4	0.4	0.4	0.4

Financials (Rs bn)	FY39	FY40	FY41	FY42	FY43	FY44	FY45	FY46	FY47	FY48	FY49	FY50	FY51	FY52	FY53	FY54	TY
Revenue	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.3	1.8
EBIT	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.1	1.1	1.1	1.1	0.8	1.1
FCFF	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.1	1.1	1.1	1.1	0.9	0.8
PV of FCFF	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1

Particulars	Rs bn
Present value of FCFF for explicit period	20.2
Present value of Terminal Value	1.0
Enterprise Value	21.2
Equity Value	9.6

Source: Company, PL

Financials

Exhibit 14: Income Statement (Rs mn)

Y/e Mar	FY18	FY19	FY20	9MFY21
Net Revenues	3,436	9,772	13,243	9,923
<i>YoY gr. (%)</i>		<i>184.4%</i>	<i>35.5%</i>	
Other Expenses	81	330	382	312
EBITDA	3,355	9,442	12,861	9,611
<i>YoY gr. (%)</i>		<i>308.4%</i>	<i>15.7%</i>	
<i>Margin (%)</i>	<i>97.6%</i>	<i>96.6%</i>	<i>97.1%</i>	<i>96.9%</i>
Depreciation and Amortization	932	2,750	3,794	1,392
EBIT	2,423	6,692	9,067	8,219
<i>Margin (%)</i>	<i>72.2%</i>	<i>70.9%</i>	<i>70.5%</i>	<i>85.5%</i>
Net Interest	1,158	3,281	4,291	2,910
Other Income	20	70	98	168
Profit Before Tax	1,285	3,480	4,874	5,477
<i>Margin (%)</i>	<i>37.4%</i>	<i>35.6%</i>	<i>36.8%</i>	<i>55.2%</i>
Total Tax	144	1,000	1,086	2,105
<i>Effective tax rate (%)</i>	<i>11.2%</i>	<i>28.7%</i>	<i>22.3%</i>	<i>38.4%</i>
Profit after tax	1,141	2,481	3,788	3,371
Adjusted PAT	1,141	2,481	3,788	3,371
<i>YoY gr. (%)</i>		<i>117.3%</i>	<i>52.7%</i>	
<i>Margin (%)</i>	<i>34.0%</i>	<i>26.3%</i>	<i>29.5%</i>	<i>35.1%</i>

Source: Company, PL

Exhibit 15: Balance Sheet (Rs mn)

Balance Sheet	FY18	FY19	FY20	Dec20
Non-Current Assets				
Gross Block				
Tangibles	19,130	70,228	71,023	71,151
Intangibles	191	885	1,155	1,117
Acc: Dep / Amortization				
Tangibles	1,344	4,075	7,804	9,158
Intangibles	-	1	2	3
Net fixed assets				
Tangibles	17,787	66,153	63,219	61,994
Intangibles	191	885	1,155	1,117
Capital Work In Progress	45,293	87	-	22
Goodwill	-	-	-	-
Non-Current Investments	-	-	-	-
Net Deferred tax assets	193	(53)	(287)	(2,677)
Other Non-Current Assets	412	55	41	620
Current Assets				
Investments	-	-	-	-
Inventories	109	210	310	310
Trade receivables	507	1,189	1,737	1,881
Cash & Bank Balance	170	27	399	541
Other Current Assets	388	1,397	1,350	1,701
Total Assets	65,049	69,950	67,925	65,508
Equity				
Equity Share Capital	4,423	9,987	12,007	12,130
Other Equity	712	2,196	3,330	2,751
Total Networth	5,135	12,183	15,337	14,881
Non-Current Liabilities				
Long Term borrowings	52,367	53,369	44,293	47,507
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Minority Interest	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1	4	9	87
Other current liabilities	7,546	4,394	8,286	3,032
Total Equity & Liabilities	65,049	69,950	67,925	65,508

Source: Company, PL

Exhibit 16: Cash Flow (Rs mn)

Y/e Mar	FY18	FY19	FY20	9MFY20
PBT	1,285	3,480	4,874	5,477
Add. Depreciation	932	2,750	3,794	1,392
Add. Interest	1,158	3,281	4,291	2,910
Less Financial Other Income	-	-	(1)	(6)
Add. Other	-	1	2	3
Op. profit before WC changes	3,375	9,511	12,958	9,773
Net Changes-WC	623	(5,348)	(1,568)	(532)
Direct tax	(266)	(738)	(869)	(236)
Net cash from Op. activities	3,732	3,425	10,521	9,005
Capital expenditures	(32,739)	(6,428)	(1,073)	(151)
Interest / Dividend Income	-	-	1	6
Others	-	1	2	3
Net Cash from Invt. activities	(32,739)	(6,428)	(1,072)	(145)
Issue of share cap. / premium	2,062	5,564	2,020	124
Debt changes	28,069	2,301	(4,000)	(1,773)
Dividend paid	(252)	(997)	(2,654)	(3,951)
Interest paid	(737)	(4,008)	(4,442)	(3,119)
Others	-	1	2	3
Net cash from Fin. activities	29,141	2,860	(9,077)	(8,719)
Net change in cash	133	(143)	372	141
Free Cash Flow	(29,008)	(3,003)	9,448	8,854

Source: Company, PL

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB	Reduce	1,195	1,372
2	Ahluwalia Contracts (India)	BUY	384	293
3	Apar Industries	BUY	543	373
4	Ashoka Buildcon	BUY	160	96
5	Bharat Electronics	Accumulate	110	131
6	BHEL	Hold	34	49
7	Capacite's Infraprojects	BUY	270	199
8	Container Corporation of India	BUY	561	467
9	Cummins India	Hold	546	879
10	Engineers India	BUY	115	76
11	GE T&D India	Hold	122	119
12	H.G. Infra Engineering	BUY	311	294
13	IRB Infrastructure Developers	BUY	157	108
14	ITD Cementation India	BUY	97	76
15	J.Kumar Infraprojects	BUY	260	183
16	Kalpataru Power Transmission	BUY	437	378
17	KEC International	Accumulate	402	442
18	KNR Constructions	Accumulate	243	210
19	Larsen & Toubro	BUY	1,526	1,401
20	NCC	BUY	111	78
21	PNC Infratech	BUY	295	256
22	Power Grid Corporation of India	BUY	205	170
23	Sadbhav Engineering	BUY	115	63
24	Siemens	Accumulate	1,856	1,786
25	Thermax	Accumulate	1,008	1,275
26	Triveni Turbine	BUY	98	102
27	Voltamp Transformers	BUY	1,466	1,058

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Buy	: >15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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