

POWER GRID CORP OF INDIA

Impacted by one-offs; improvement in capex visibility key

India Equity Research | Power



Power Grid Corporation of India's (PGCIL) Q4FY18 operating performance came 5% below consensus, primarily due to INR2.5bn foreign exchange rate variation (FERV), though was P&L neutral. Key highlights: 1) FY18 capitalisation at INR274bn dipped 12% YoY & marginally missed lower end of management's INR280bn guidance; 2) with INR940bn projects in hand, management has pegged next three years' capitalisation at ~INR300bn plus on an average (our estimate: INR260bn for FY19/20), which we believe is aggressive considering ~INR250bn capex. We believe, regulated equity is still likely to post healthy 13% CAGR over FY18-20. There could be some time correction in the stock due to finalisation of CERC's 2019-24 norms' overhang. Maintain 'BUY' with revised TP of INR240 (INR250 earlier) building in higher COE due to high risk-free rate.

FY18 impacted by pay revision on conservative accounting

PGCIL's FY18 PAT grew 10%, which was impacted by INR3.5bn higher employee expenses on account of pay revision. While the company has filed a petition with CERC for tariff revision (will be cleared in all likelihood, in our view), it has not booked any provisional tariff in its books (contrary to NTPC's accounting). On operational parameters, availability of transmission lines was at 99.8%. Capitalisation of INR274bn in FY18 included completion of ~10 long overdue projects worth ~INR65bn.

Capex visibility beyond FY20 a tad challenging

Management estimates FY19 capitalisation/capex ratio at ~1.2x. While FY19/20E ratio could still be ~1.1x, we believe capex growth beyond FY20 could be challenging as: 1) conventional power generation capacity addition will taper to ~10GW p.a. over the next few years from 23GW (FY10-16); 2) stability in regional imbalances likely post commissioning of transmission corridors; and 3) renewable capacity addition target (25GW p.a.) looks aggressive considering past 12 months' ordering scenario (10-12GW). However, upside in capex emanates from intra-state & international projects.

Outlook and valuations: Capex key; maintain 'BUY'

While PGCIL is conservative in picking projects, geographical diversification could add some additional risks, which is a key monitorable. Unlike the generation segment, core RoE is not contingent on utilisation / power demand growth in the system. We maintain 'BUY/SP' with SOTP-based target price of INR240 (1.6x P/BV on FY20E).

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Perform
Risk Rating Relative to Sector	Low
Sector Relative to Market	Underweight

MARKET DATA (R: PGRD.BO, B: PWGR IN)

CMP	: INR 210
Target Price	: INR 240
52-week range (INR)	: 227 / 189
Share in issue (mn)	: 5,231.6
M cap (INR bn/USD mn)	: 1,096 / 16,408
Avg. Daily Vol.BSE/NSE('000)	: 6,759.8

SHARE HOLDING PATTERN (%)

	Current	Q3FY18	Q2FY18
Promoters *	56.9	56.9	57.9
MF's, FI's & BK's	12.0	12.0	9.7
FII's	24.4	24.4	25.7
Others	6.6	6.6	6.6
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Power Index
1 month	0.8	(1.2)	(4.5)
3 months	6.0	1.2	(3.9)
12 months	2.6	10.3	(3.3)

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Financials (Standalone)						(INR mn)		
Year to March	Q4FY18	Q4FY17	% Change	Q3FY18	% Change	FY18	FY19E	FY20E
Revenues	78,113	67,120	16.4	75,069	4.1	297,525	350,373	382,845
EBITDA	65,241	56,185	16.1	67,383	(3.2)	259,377	308,410	336,686
Adj. net profit	20,047	19,164	4.6	20,408	(1.8)	80,317	100,790	114,036
Dil. EPS (INR)	3.8	3.7	4.6	3.9		15.7	19.3	21.8
P/BV						2.0	1.8	1.6
ROAE (%)						15.8	17.5	17.8

Edelweiss Research is also available on www.edelresearch.com, Bloomberg EDEL <GO>, Thomson First Call, Reuters and Factset.

Edelweiss Securities Limited

Table 1: SOTP valuation

	Value	Comments	Multiple	Comments	Value	Per share
Regulated equity	712,695	FY20E req equity	1.62	(RoE-g)/(CoE-g)	1,151,277	219
CWIP equity	33,610	FY19E CWIP	1.00	Equity value	33,610	6
Investments	14,220	FY19E Invst	1.00	At book value	14,220	3
Value of telecom business	8,000	Current equity	1.00	BV	8,000	2
Value of consultancy business	3,724	FY20E earnings	15.0	12x P/E	55,860	11
Total					1,262,967	240

Source: Edelweiss research

Q4FY18 conference call: Key takeaways

Capex outlay: Capitalisation/Capex>1 for FY18

- Capex: INR257bn.
- Completed projects – INR290bn.
- Capitalisation – INR279bn.

Management guided for capex of INR250bn for FY19. Total in hand order book of INR940bn expected to be completed in the next two-three years.

- Ongoing projects - INR750bn.
- New projects - INR25bn.
- TBCB projects - INR165bn.

TBCB projects: Management indicated PGCIL's strong execution capabilities vis-a-vis the private sector given its expertise, scale and financial strength. Two new projects awarded for aggregate cost of INR22bn in FY18 (ERSS XXI, WR-NR Trans). TBCB projects profit for FY18 stood at INR1.23bn.

The revenue recognition for TBCB project is accounted as other income by the standalone entity, leading to higher other income (~INR10bn for FY18 versus INR8.6bn for FY17) and debt for TBCB projects leads to higher interest expense. Debt for TBCB projects at FY18 end stood at INR81bn.

Project execution:

- 9,250ckm transmission line in FY18 (2,927ckm in Q4FY18).
- 42.6k MVA transformation capacity addition in FY18 (8.4k MVA in Q4FY18).
- Sub-stations: 17 in FY18 (six in Q4FY18).

Raigarh-Pulga scheduled COD is in Feb 2020. Management expects to complete the project by Sep 2019.

Champa Kurukshetra HVDC project: Pole 2 of the project under stabilisation testing phase. Six months period has been provided for stabilising the system. Poles 3 and 4 as part of the second leg of project are expected to be completed by Oct 2020 and Jan 2021, respectively, for an aggregated cost of INR40bn.

Execution of pending projects: Management emphasized on successful completion of long delayed projects due to various reasons in FY18 including:

- Daltonganj-Sasaram
- Kishenpur-New Wanpoh

- Kameng-Balipara
- Pasighat-Roing-Tazu
- Aurangabad-Padghe
- Padghe-Kudus-Kala
- Kishenpur-Dulhasti
- Dehradun-Abdullapur
- Aurangabad-Boisar

Commissioning of following delayed sub-stations completed in FY18:

- Yelahanka GIS
- Daltonganj
- Padghe GIS
- Roing
- Tazu

Management also indicated that a large chunk of projects was implemented in FY18 within CERC's schedule.

Operational performance: Availability: 99.81%, 0.6 Tripping/Line in FY18.

Lower PAT due to one-offs: Higher other expenses in Q4FY18 on account of multiple reasons.

Large chunk of CSR expenditure (INR0.8bn for FY18) is being accounted for in Q4FY18. Wage revision provision for FY18 stood at INR3.4bn. ~INR 310mn of hit taken because of tariff reconciliation with CERC against estimated tariff. Similar number for Q4FY17 stood at positive INR350mm.

Management indicated that the company now qualifies for Maharatna status and will apply for the same in FY19.

Green-Energy Corridors: Management indicated projects to be awarded through the competitive bidding route generally and only in some exceptional cases of importance PGCIL may be awarded on a nomination basis.

Projects from Ministry of Railway: Management indicated multiple project opportunities with Indian Railways. The Ministry of Railway is considering modernising the signaling system, for which E&Y has been appointed as consultant and the project is in study phase. Regarding railway electrification, management indicated that the Ministry of Railways is reviewing developing independent transmission systems for Indian Railways.

Management indicated that since these projects do not fall under CERC's regulations, the return for such projects has still not been finalised and need to be discussed. However, management indicated that PGCIL will look for regulated returns as a benchmark for evaluating these projects.

Consultancy and telecom business: 25 new consultancy orders received in FY18. In hand GoI consultancy work order book of INR16. 5bn. Consultancy revenue for FY18 stood at INR6.5bn (up 13% YoY). Telecom network increased by 5,700km in FY18. Telecom revenue for FY18 stood at INR6.7bn (up 22% YoY). Management indicated some slowdown in telecom orders and weak order prices.

Higher share of 765kv lines in transmission mix: PGCIL's transmission mix is migrating towards 765kV, which now comprises 26% (36,711ckm) of transmission mix in FY18 compared to 2% (1,783ckm) in FY12. While this leads to lower absolute ckm growth (148,327ckm in FY18 versus 92,981ckm in FY12), the transmission capacity growth is much higher as higher voltage lines carry more quantum of transmission.

EV charging and battery storage an emerging opportunity: Management indicated that PGCIL is keen on exploring the EV charging business and with EV cars coming into the mainstream and in ensuing years this could be a big opportunity.

Increasing focus on renewable energy and higher share of incremental renewable capacity will require developing battery storage systems and PGCIL is looking to tap into this opportunity.

Financial snapshot

(INR mn)

Year to March	Q4FY18	Q4FY17	% change	Q3FY18	% change	FY18	FY19E	FY20E
Total operating Income	78,113	67,120	16.4	75,069	4.1	297,525	350,373	382,845
Transmission expense	8,147	5,561	46.5	3,677	121.5	22,089	24,298	26,728
Gross profit	69,967	61,560	13.7	71,392	(2.0)	275,436	326,075	356,117
Salaries and other exp.	4,726	5,374	(12.1)	4,009	17.9	16,059	17,665	19,431
Total expenditure	12,872	10,935	17.7	7,686	67.5	38,148	41,963	46,159
EBITDA	65,241	56,185	16.1	67,383	(3.2)	259,377	308,410	336,686
Depreciation	24,065	20,633	16.6	23,186	3.8	90,913	108,845	115,317
EBIT	41,176	35,552	15.8	44,197	(6.8)	168,464	199,565	221,368
Interest	20,055	15,558	28.9	19,555	2.6	75,907	81,037	87,729
Other income	2,876	3,424	(16.0)	2,781	3.4	10,139	9,639	11,371
Profit before tax	25,582	24,247	5.5	26,404	(3.1)	102,696	128,167	145,010
Provision for taxes	5,536	5,083	8.9	5,996	(7.7)	22,379	27,377	30,975
Add: Exceptional items	1,586	829	91.2	(1,019)	(255.5)	-	-	-
Reported net profit	20,047	19,164	4.6	20,408	(1.8)	80,317	100,790	114,036
Adjustments								
Adjusted Profit	20,047	19,164	4.6	20,408	(1.8)	80,317	100,790	114,036
Diluted shares (mn)	5,232	5,232		5,232		5,232	5,232	5,232
Adjusted Diluted EPS	3.8	3.7	4.6	3.9	(1.8)	15.4	19.3	21.8

As % of net revenues

COGS	10.4	8.3		4.9		7.4	6.9	7.0
Gross profit	89.6	91.7		95.1		92.6	93.1	93.0
Other expenses	6.0	8.0		5.3		5.4	5.0	5.1
Total expenses	16.5	16.3		10.2		12.8	12.0	12.1
EBITDA	83.5	83.7		89.8		87.2	88.0	87.9
Adjusted net profit	25.7	28.6		27.2		27.0	28.8	29.8
Tax rate	21.6	21.0		22.7		21.8	21.4	21.4

Company Description

PGCIL commenced operations in 1992 by consolidating transmission assets of NTPC, NHPC, NEEPC, NPCIL, Tehri Hydro Development Corporation, and Neyveli Lignite. In 1994, the assets and communication systems of regional load dispatch centre (RLDC) were also transferred to the company with an objective to enhance grid management. Due to the central transmission utility status, PGCIL is mandated to undertake and operate inter-state transmission systems efficiently, provide for open access, and undertake various functions of RLDC. Recently, under the Rajiv Gandhi Grameen Vidyutikaran Yojana, PGCIL is mandated to implement the electrification of rural households in association with the Rural Electrification Corporation, SEBs, and the respective state governments.

Investment Theme

Growth visibility: With INR940bn orders in hand, PGCIL has a strong visibility for the next 2-3 years. This can keep the capitalisation ratio at more than 1.0x comfortably. But visibility beyond FY20 is tad challenging as generation capacity and inter regional transmission corridors seems topping out. Nevertheless, FY18-20 regulated Equity is slated to grow by 13% CAGR which is comforting.

Reversal in the current trend of capex and telecom earnings: If the company is able to scale up internal accruals through superior earnings from telecom which would in turn invested in power business then the overall earnings growth could be significant.

Key Risks

Telecom scale up: The company's strategy of leveraging its transmission towers also as telecom towers has not scaled up so far.

Funding issues: PGCIL is constrained by its limited retained earnings in undertaking significant capex programme under the 70:30 debt/equity norm. While the company could raise the threshold to 75% debt and 25% equity to meet its XII Plan target but earnings will continue to be on the actual equity deployed.

Slow pace of capex – dependant on generation capacity growth: Power Grid capex is dependant heavily (40-50% of total capex) on the capacity addition of its associated generation projects. Any delay in these generation assets will cascade to a delay in PGCIL's project execution slowing its pace of growth. Escalation in project costs, delay in commissioning of generation projects, and long gestation periods could impact profitability, if delays are not compensated through tariffs.

Financial Statements

Key Assumptions

Year to March	FY17	FY18	FY19E	FY20E
Macro				
GDP(Y-o-Y %)	6.6	6.5	7.1	7.6
Inflation (Avg)	4.5	3.6	4.5	5.0
Repo rate (exit rate)	6.3	6.0	6.0	6.5
USD/INR (Avg)	67.1	64.5	66.0	66.0
Company				
Capex (INR mn)	245,000	257,900	250,000	235,000
Commissioning (INR mn)	310,000	274,000	270,000	246,750
Closing Reg. Eqty(INRmn)	475,470	557,670	638,670	712,695
RoE on Reg. Eqty (%)	15	13	15	15
Telecom Revenue (INR mn)	5,040	6,784	7,463	8,209
Telecom EBIT (INR mn)	2,540	3,144	1,866	2,052
Consulting Rev.(INRmn)	5,820	6,684	7,018	7,720
Consulting EBIT (INRmn)	4,084	4,317	5,053	5,558
Net borrowings (INR mn)	1,094,723	1,217,095	1,300,424	1,350,138
Avg. Interest rate (%)	5.7	6.4	6.3	6.4
Depreciation rate (%)	4.7	4.8	4.7	4.5
Dividend payout (%)	30.3	33.3	33.3	33.3
OI as %age of cash (%)	20.2	38.1	35.0	25.0
Tax rate (%)	21.4	21.4	21.4	21.4
Debtor days	42	42	42	42
Inventory days	13	13	13	13
Payable days	49	23	23	23

Income statement

(INR mn)

Year to March	FY17	FY18	FY19E	FY20E
Income from operations	257,865	299,597	350,373	382,845
Direct costs	17,379	22,089	24,298	26,728
Employee costs	13,771	16,059	17,665	19,431
Total operating expenses	31,150	38,148	41,963	46,159
EBITDA	226,715	261,449	308,410	336,686
Depreciation	76,628	90,913	108,845	115,317
EBIT	150,087	170,537	199,565	221,368
Less: Interest Expense	63,038	75,907	81,037	87,729
Add: Other income	8,649.2	10,138.6	9,639.00	11,370.74
Profit Before Tax	95,698	104,769	128,167	145,010
Less: Provision for Tax	20,496	22,379	27,377	30,975
Reported Profit	75,202	82,390	100,790	114,036
Exceptional Items	-	-	-	1
Adjusted Profit	75,202	82,390	100,790	114,035
Shares o/s (mn)	5,232	5,232	5,232	5,232
Adjusted Basic EPS	14.4	15.7	19.3	21.8
Diluted shares o/s (mn)	5,232	5,232	5,232	5,232
Adjusted Diluted EPS	14.4	15.7	19.3	21.8
Adjusted Cash EPS	29.1	33.2	40.1	43.8
Dividend per share (DPS)	4.4	5.3	6.4	7.3
Dividend Payout Ratio(%)	34.8	38.3	38.3	38.3

Common size metrics

Year to March	FY17	FY18	FY19E	FY20E
Operating expenses	12.1	12.7	12.0	12.1
Depreciation	29.7	30.3	31.1	30.1
EBITDA margins	87.9	87.3	88.0	87.9
Interest Expense	24.4	25.3	23.1	22.9
Net Profit margins	29.2	27.5	28.8	29.8

Growth ratios (%)

Year to March	FY17	FY18	FY19E	FY20E
Revenues	24.0	16.2	16.9	9.3
EBITDA	23.6	15.3	18.0	9.2
PBT	25.6	9.5	22.3	13.1
Adjusted Profit	24.8	9.6	22.3	13.1
EPS	24.8	9.6	22.3	13.1

Balance sheet (INR mn)				
As on 31st March	FY17	FY18	FY19E	FY20E
Share capital	52,316	52,316	52,316	52,316
Reserves & Surplus	445,757	491,834	553,984	624,302
Shareholders' funds	498,073	544,150	606,300	676,618
Long term borrowings	1,113,154	1,228,799	1,323,799	1,397,728
Short term borrowings	15,000	10,000	10,000	10,000
Total Borrowings	1,128,154	1,238,799	1,333,799	1,407,728
Long Term Liabilities	13,648	11,740	11,740	11,740
Def. Tax Liability (net)	25,505	25,695	25,695	25,695
Deferred revenue	48,824	49,674	49,674	49,674
Sources of funds	1,714,203	1,870,058	2,027,209	2,171,455
Gross Block	1,775,034	2,045,860	2,315,860	2,562,610
Net Block	1,342,526	1,522,439	1,683,594	1,815,026
Capital work in progress	422,317	359,526	336,102	324,352
Intangible Assets	12,554	13,665	13,665	13,665
Total Fixed Assets	1,777,396	1,895,630	2,033,360	2,153,042
Non current investments	13,556	16,082	14,220	14,220
Cash and Equivalents	33,431	21,704	33,376	57,590
Inventories	9,070	10,385	12,229	13,362
Sundry Debtors	32,211	36,390	44,396	43,877
Loans & Advances	77,815	140,363	140,363	140,363
Other Current Assets	3,316	8,504	8,504	8,505
Current Assets (ex cash)	122,412	195,641	205,492	206,106
Trade payable	4,140	2,403	2,644	2,908
Other Current Liab	228,452	256,596	256,596	256,596
Total Current Liab	232,591	258,999	259,240	259,504
Net Curr Assets-ex cash	(110,180)	(63,359)	(53,747)	(53,398)
Uses of funds	1,714,203	1,870,058	2,027,209	2,171,455
BVPS (INR)	95.2	104.0	115.9	129.3

Free cash flow (INR mn)				
Year to March	FY17	FY18	FY19E	FY20E
Reported Profit	75,202	82,390	100,790	114,036
Add: Depreciation	76,628	90,913	108,845	115,317
Interest (Net of Tax)	49,537	59,693	63,727	68,990
Deferred tax	612	190	-	-
Others	(152,215)	(61,790)	(63,727)	(68,989)
Less: Changes in WC	100,648	(46,821)	(9,611)	(350)
Operating cash flow	150,411	124,574	200,025	229,004
Less: Capex	210,995	208,349	246,575	235,000
Free Cash Flow	(60,584)	(83,775)	(46,551)	(5,996)

Peer comparison valuation

Name	Market cap (USD mn)	EV / EBITDA (X)		P/B (X)		ROAE (%)	
		FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Power Grid Corp of India	1,096,020,000	7.8	7.3	1.8	1.6	17.5	17.8
CESC	2,036	7.5	6.7	1.1	1.1	9.3	10.2
NTPC	1,362,974,538	10.1	8.9	1.3	1.2	10.9	11.9
Tata Power Co	-	9.7	9.3	1.2	1.1	10.9	11.5
Median	-	8.7	8.1	1.2	1.1	10.9	11.7
AVERAGE	-	8.8	8.1	1.4	1.2	12.2	12.9

Source: Edelweiss research

Cash flow metrics				
Year to March	FY17	FY18	FY19E	FY20E
Operating cash flow	150,411	124,574	200,025	229,004
Financing cash flow	96,727	71,681	56,360	30,211
Investing cash flow	(235,277)	(210,851)	(244,713)	(235,000)
Net cash Flow	11,862	(14,596)	11,671	24,214
Capex	(210,995)	(208,349)	(246,575)	(235,000)
Dividend paid	(22,757)	(27,466)	(33,600)	(38,016)

Profitability and efficiency ratios

Year to March	FY17	FY18	FY19E	FY20E
ROACE (%)	9.8	10.3	10.9	11.3
ROAE (%)	16.3	15.8	17.5	17.8
Inventory Days	182	161	170	175
Debtors Days	42	42	42	42
Payable Days	76	54	38	38
Cash Conversion Cycle	147	148	174	179
Current Ratio	0.7	0.8	0.9	1.0
Gross Debt/EBITDA	5.0	4.7	4.3	4.2
Gross Debt/Equity	2.3	2.3	2.2	2.1
Adjusted Debt/Equity	2.3	2.3	2.2	2.1
Interest Coverage Ratio	2.4	2.2	2.5	2.5

Operating ratios

Year to March	FY17	FY18	FY19E	FY20E
Total Asset Turnover	0.2	0.2	0.2	0.2
Fixed Asset Turnover	0.2	0.2	0.2	0.2
Equity Turnover	0.5	0.5	0.6	0.6

Valuation parameters

Year to March	FY17	FY18	FY19E	FY20E
Adj. Diluted EPS (INR)	14.4	15.7	19.3	21.8
Y-o-Y growth (%)	24.8	9.6	22.3	13.1
Adjusted Cash EPS (INR)	29.1	33.2	40.1	43.8
Diluted P/E (x)	14.6	13.3	10.9	9.6
P/B (x)	2.2	2.0	1.8	1.6
EV / Sales (x)	8.5	7.7	6.8	6.4
EV / EBITDA (x)	9.7	8.8	7.8	7.3
Dividend Yield (%)	2.1	2.5	3.1	3.5

Additional Data

Directors Data

Shri I.S.Jha	Chairman & Managing Director	Shri R. T. Agarwal	Director (Finance)
Shri Ravi P. Singh	Director (Personnel)	Shri R. P. Sasmal	Director (Operations)
Dr. Pradeep Kumar	Govt. Nominee	Shri Jagdish I. Patel	Director (Independent)
Shri R K Gupta	Independent Director	Dr K Ramalingam	Independent Director
Shri Ajay Kumar Mittal	Independent Director	Shri R Krishnamoorthy	Independent Director
Shri Mahesh Shah	Independent Director	Smt. Jyoti Arora	Govt. Nominee

Auditors - M/s. S. K. Mehta & Co.,M/s. Chatterjee & Co.,M/s. Sagar & Associates

**as per last annual report*

Holding – Top10

	Perc. Holding		Perc. Holding
Government of india	57.9	Icici prudential ass	4.18
Hdfc asset managemen	3.02	Capital group compan	2.36
Life insurance corp	2.32	Comgest s a	2.25
T rowe price group i	0.97	Vanguard group	0.97
Vontobel holding ag	0.88	Fil limited	0.87

**in last one year*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
15 Jan 2018	Okoworld Growing Markets 2.0	Buy	600000	196.00
15 Jan 2018	Hauck & Aufhauser Privatbankiers Kgaa Niederlassung Luxemb	Sell	600000	196.00

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
No Data Available			

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Adani Power	HOLD	SU	H	CESC	BUY	None	None
India Grid Trust	BUY	SP	M	JSW Energy	HOLD	SP	M
NTPC	BUY	SP	L	Power Grid Corp of India	BUY	SO	L
PTC India	BUY	None	None	Tata Power Co	BUY	SP	M

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

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Coverage group(s) of stocks by primary analyst(s): Power

Adani Power, Adani Transmission, CESC, India Grid Trust, JSW Energy, NTPC, PTC India, Power Grid Corp of India, Tata Power Co

Recent Research

Date	Company	Title	Price (INR)	Recos
28-May-18	NTPC	In-line quarter; limited downside with triggers in place; <i>Result Update</i>	168	Buy
23-May-18	CESC	Core healthy; ramp up of new businesses key; <i>Result Update</i>	1,010	Buy
22-May-18	Power	High merchant rates to aggravate discom woes; <i>Sector Update</i>		

Distribution of Ratings / Market Cap

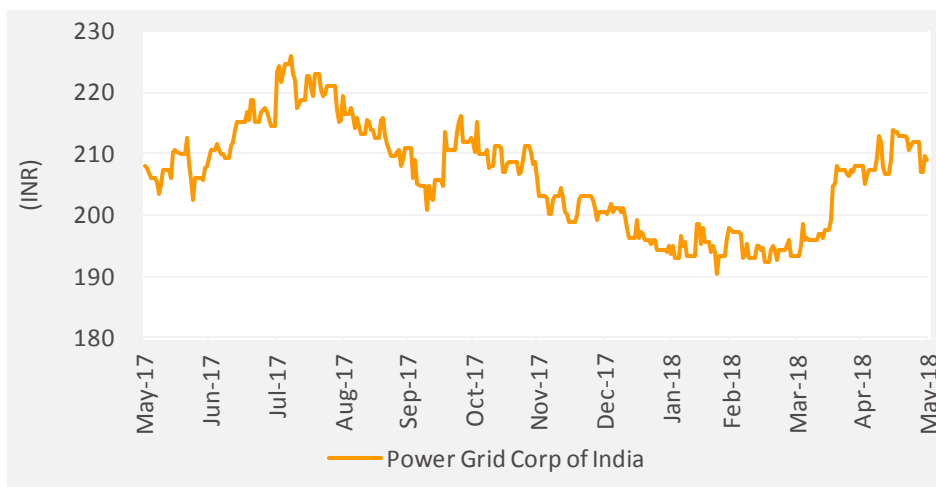
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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