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With the coming of Electricity Act 2003, the power sector, which was highly regulated with lot of licensing requirements, is in the throes of a long awaited change. The licensing requirements have been reduced, as the generation company will be free to enter distribution business and vice-versa. Currently private sector accounts for 10% of the total power generation capacity. The remaining is divided between Center and the state owned companies in the ratio of 36:64.

GROWTH OF INDUSTRY

The generating capacity in India currently stands at 1,27,672 MW (excluding captive capacities of around 30,000 MW). Out of this, the country utilises a poor 65% due to inefficient transmission and distribution causing a lot of power shortage.

Recognizing that electricity is one of the key drivers for rapid economic growth and poverty alleviation, the industry has set itself the target of providing access to all households in next seven years. As per Census 2001, about 44% of the households do not have access to electricity. Hence, meeting the target of providing universal access is a daunting task requiring significant addition to generation capacity and expansion of the transmission and distribution network.

DOMINANT INDUSTRY

The industry is dominated by few big players viz Reliance Energy Ltd., CESC Ltd., Tata Power Ltd., and NTPC Ltd.

RELAINCE ENERGY LTD.

Reliance Energy is India's largest integrated private sector power utility company. The company is into generation, transmission, distribution and trading of power. It distributes over 5,000 MW of power - the largest in the country. The company has posted a profit after tax of Rs 221.56 crore for the quarter ended June 30, 2007 as compared to Rs 176.61 crore for the quarter ended June 30, 2006. Total income has increased from Rs 1325.97 crore for the quarter ended June 30, 2006 to Rs 1983.93 crore for the quarter ended June 30, 2007. Also the company has bagged three road projects valued at Rs 2,320 crore from National Highways Authority of India. So the company has very strong growth prospects in the future.

TATA POWER COMPANY LTD.

Tata Power Company Ltd recognized as one of India's largest private sector power utility, with a reputation for trustworthiness, built up over nearly nine decades. Tata Power surges ahead into yet another year with plans of sustained growth, greater value to consumer and reliable power supply. Tata Power has declared its first quarter results. The company's standalone Q1 net profit up 56% at Rs 190.20 crore (Rs 1.90 billion) versus Rs 121.85 crore (Rs 1.21 billion) and standalone net sales were up 9.79% at Rs 1,511.48 crore (Rs 15.11 billion) for the quarter ended June 30, 2007

CESC LTD.

CESC Limited, a RPG company - brought thermal power to India more than 100 years ago and supplies power to the city of Calcutta, serving 11 million population across its licensed area, spread over 567 sq. km. The company has posted standalone net profit of Rs 82 crore for the quarter ended June 30, 2007 as against Rs 55 crore in corresponding quarter of previous year. Standalone net sales stood at Rs 717 crore versus Rs 674 crore. The power sector in India has good positive growth in future so CESC Ltd. will also witness good future growth across the sector.

STOCKS TO WATCH UNDER POWER SECTOR

- RELIANCE ENERGY LTD. **(Current Market Price Rs.827)**
- TATA POWER COMPANY LTD. **(Current Market Price Rs.719)**
- CESC LTD. **(Current Market Price Rs.492)**
- NTPC LTD. **(Current Market Price Rs.162)**
- POWER TRADING CORPORATION INDIA LTD. **(Current Market Price Rs.79)**
- GVK POWER & INFRASTRUCTURE LTD. **(Current Market Price Rs.542)**

BUY AND HOLD RECOMMENDATION

- RELAINCE ENERGY LTD. **(Buy At Current Market Price)**
- TATA POWER COMPANY LTD. **(Buy At Current Market Price)**
- CESC LTD. **(Buy At Current Market Price)**

THANKS AND REGARDS

PMS TEAM