

Jaiprakash Power Ventures

Rs56

OUTPERFORMER

Key milestone achieved in Karcham Wangtoo commissioning

Mkt Cap: Rs117bn; US\$2.6bn

3 January 2011

BSE Sensex: 20561

Event

Jaiprakash Power Ventures (JPVL) has commenced filling of water in the intake channel of the 1,000MW Karcham Wangtoo hydropower plant.

Details

In line with its indicated schedule, JPVL has commenced filling of water in the intake channel of the 1,000MW Karcham Wangtoo hydropower plant from 2 Jan 2011. This is a critical milestone in the construction of the project and is a lead indicator of the commissioning of the first unit of the plant over the next two months. The company has targeted 6 Mar 2011 as the commissioning date of the first unit, and the timely commencement of water filling provides comfort that it will achieve the target. When commissioned in March 2011, the Karcham Wangtoo project would be completed six months ahead of schedule and about 2-3 months ahead of our assumptions.

While a dispute with PTC regarding the PPA for sale of power from the plant remains unresolved, we expect a solution before the plant is commissioned. Till such time as the final outcome of the dispute, we assume design energy of 5.36bn units and we expect JPVL to sell 80% of the same to PTC on tariffs determined under CERC regulations and the balance 20% in the merchant market.

Our view

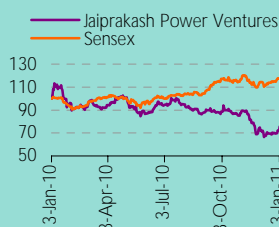
Karcham Wangtoo, once commissioned, would be India's largest private hydropower project and the second largest overall. The commissioning potentially ahead of schedule, we believe, re-affirms Jaiprakash Group's strength in project execution and its track record of managing large and complex projects. Moreover, it reinforces our comfort on the smooth rollout of the planned 11,770MW of additional hydro and thermal power projects over the next seven years. We see the commissioning of Karcham Wangtoo as a key trigger for the stock and reiterate our Outperformer rating on JPVL with a 12-month target price of Rs79/ share.

Exhibit 1: Key financials

As on 31 March	FY08	FY09	FY10	FY11E	FY12E
Net sales (Rs m)	3,008	2,967	6,907	7,157	30,132
Adj. net profit (Rs m)	1,330	1,473	2,518	1,564	8,391
Shares in issue (m)	491	491	2,096	2,096	2,096
Adj. EPS (Rs)	2.7	3.0	1.2	0.7	4.0
% change	(11.5)	10.7	(59.9)	(37.9)	436.6
PE (x)	20.5	18.6	46.3	74.6	13.9
Price/ Book (x)	2.7	2.5	2.6	2.5	2.0
EV/ EBITDA (x)	12.8	12.5	33.4	49.6	16.4
RoE (%)	13.8	14.0	9.2	3.5	16.0
RoCE (%)	11.8	11.8	6.5	2.8	8.0

Source: IDFC Securities Research

Price chart



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Exhibit 2: JPVL SOTP

Project (Rs m)	Valuation	MW	CoD	TPC	Equity	Disc. rate (%)	Equity value	JPVL stake (%)	JPVL value
Baspa -II	14 x PER	300	Operating	-	-	-	23,200	100	23,200
Vishnuprayag	14 x PER	400	Sep-06	16,663	5,090		7,153	100	7,153
Karcham Wangtoo		1,000	Aug-11	70,800	21,240		57,374		31,555
Lower Siang		2,700	Jul-15	148,500	37,125		46,342		41,245
Hirong		500	Dec-17	27,500	6,875		4,460		3,969
Kynshi		450	Mar-18	24,750	7,425		2,040		1,509
Umngot		270	Jun-18	14,850	4,455		1,309		969
Nigrie	DCF	1,320	Jun-13	74,000	22,200	15	36,235	100	36,235
Bina		1,250	Oct-13	62,040	18,612		19,218		19,218
Bara		3,300	Sep-14	170,720	51,216		14,924		14,924
Karchana		1,980	Apr-14	102,360	30,708		6,535		6,535
Transmission	DCF		Oct-10	10,000	3,000	15	3,432	23	789
Total		13,470		722,183	207,946		222,223		187,303
Add: Cash									6,113
Less: Holding company debt									20,000
Total value									173,416
Value per share (Rs)									79

Source: IDFC Securities Research

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2. Neutral: Within 0-5% to Index
3. Underperformer: Less than 5% to Index

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