

Issue Snapshot:

Issue Open: Dec 07 – Dec 09, 2009

Price Band: Rs. 100 – Rs. 115
For Retail bidders: Rs. 95 - Rs. 110

Issue Size: Rs. 2,348 cr – Rs. 2,700 cr

Issue Size: 234,782,609 equity shares
 QIB upto 14,08,69,565 eq sh*
 Retail atleast 7,04,34,782 eq sh*
 Non Institutional atleast 2,34,78,260 eq sh*
 *assuming shares are subscribed at higher price band

Face Value: Rs 10

Book value: Rs 12.79 (Sep 30, 2009)

Bid size: - 60 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity: Rs. 1,372.70 cr
Post issue Equity: Rs. 1,607.48 cr

Listing: BSE & NSE

Lead Managers: JM Financial, Kotak Mahindra, ICICI Securities, IDFC-SSKI, JP Morgan, SBI Capital Markets Ltd, Morgan Stanley, IDBI Capital.

Registrar to issue: Karvy Computershare Pvt Ltd

Shareholding Pattern

Shareholding Pattern	Pre issue %
Promoters & Promoter Group	91.66
Non Promoters	8.34
Total	100.0

CARE IPO grading: 4/5 indicating above average fundamentals

JSWEL on December 4, 2009 finalized allocation of 42,260,820 shares in aggregate to 7 anchor investors at the rate of Rs 110 per share (including share premium of Rs 100 and face value of Rs 10 per share)

Background & Operations:

JSW Energy (JSWEL) is an established energy company with 860 megawatts, of operational generating capacity and 2,790 MW of generating capacity in the construction or implementation phase. It has power generation projects at an early stage under development with a proposed combined installed capacity of 7,740 MW. JSWEL has entered into various joint ventures for the development of transmission lines for its power generation projects, coal and lignite mining to procure captive fuel supply for some of its power generation projects and the manufacture of steam turbines and generators for power plants. It is currently exploring opportunities in coalmine acquisitions, power distribution business and generation through non-conventional energy sources.

JSWEL is a part of the JSW Group, it benefits from group synergies, including access to talent, competitive commercial terms, and access to critical equipment and suppliers. It sells power through a combination of long-term and short-term power purchase arrangements and through the power exchanges in India to state-owned utilities, power trading companies and some industrial consumers. It has also entered into a joint venture agreement with the Maharashtra State Electricity Transmission Company Ltd (“MSETCL”) and has incorporated a joint venture company, Jaigad Power Transco Limited (“JPTL”) to build and own transmission systems and to carry out all transmission related activities.

As part of power generation business, JSWEL owns and operates power plants in Karnataka with an aggregate capacity of 860 MW, has commissioned 135 MW of RWPL’s 1,080 MW power plant in Rajasthan and, based on internal estimates, it expects to commission power plants with a further 570 MW of capacity, comprising 2x135 MW of RWPL’s, 1,080 MW power plant in Rajasthan and 1x300 MW of JSWERL’s 1,200 MW power plant in Maharashtra, in fiscal 2011. It is also expanding its generation capacity by an additional 1,575 MW, which based on its internal estimates, JSWEL expects to commission by fiscal 2011 through the remaining 5x135MW units of RWPL’s 1,080 MW power plant in Rajasthan and the remaining 3x300 MW of JSWERL’s 1,200 MW power plant in Maharashtra. In addition, it expects to have additional aggregate generation capacity of 8,250 MW through the projects under implementation and development. Each project is planned to be strategically located either near an available fuel source, load centre or infrastructure facilities.

Objects of Issue:

The objects of the Issue are:

- To partially finance construction and development of the identified projects aggregating to 2790 MW in capacity; 400KV transmission projects and mining venture.
- Repayment of corporate debts
- General corporate Purposes.

Cost of Project:

S. No.	Particulars	Rs. Crs Amount
1	Finance construction and development of the Identified Projects	2142.52
2	Repayment of Corporate Debt	470.00
3	General Corporate Purpose	*
	Total	*

(Source: RHP)

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Means of Finance

Rs Crs

Particulars	Amount
Debt	9979.50
From Net proceeds*	2142.52
Internal Accruals/ Equity Contribution **(incurred as of June 30,2009)	1911.23
Internal Accruals/ Equity Contribution **(to be incurred)	22.48
Total	14055.73

(Source: RHP)

* Includes amount infused since July 1, 2009 in Ratnagiri, RWPL Phase I, Kutehr and BLMCL of Rs.167.00 Crore, Rs. 95.81 Crore, Rs. 0.57 Crore and Rs. 2,23.50 Crore respectively. The same is proposed to be recovered from Net Issue Proceeds.

** Includes contribution of Rs. 15.22 Crore from MSETCL in respect JPTL and Rs.10.2Crore from RSMML in respect of BLMCL.

*** Includes contribution of Rs. 22.48 Crore required from MSETCL in respect JPTL.

Current Business

Given below is a summary of JSWEL's power projects that are currently under various stages of implementation.

Facility	JSWEL (SBU I)	JSWEL (SBU II)	JSWERL	RWPL (Phase I)	RWPL (Phase II)	JSWEL (Kutehr)
Specifications						
Gross Capacity	260 MW	600 MW	1200 MW	1,080 MW	270 MW	240 MW
Contract Capacity	2x130 MW	2x300 MW	4x300 MW	8x135 MW	2X135 MW	3X80 MW
JSWEL's Participation Interest as of March 31,2009	OWN	OWN	100%	100%	100%	OWN
Status	Operational	Operational	Under Construction	135 MW commissioned in August 2009 7x135 Mw under Construction	Under Implementation	Under Implementation
Procurement Status	N/A	N/A	Major orders have been placed	Major orders have been placed	BTG orders have been placed	Work-in-progress to finalise technical specifications
Location	Karnataka	Karnataka	Maharashtra	Rajasthan	Rajasthan	Himachal Pradesh
Fuel	Coal / Gas	Coal	Coal	Lignite	Lignite / Coal	Hydro
Expected Commercial Operation Date	Operational since 2000	Operational since September 2009	April, 2011	April, 2011	January, 2013	December, 2015
Financial information						
Estimated Original Project Cost	N/A	Rs. 18,600 million	Rs. 45,000 million	Rs. 50,000 million	Rs. 13,500 million	Rs. 19,152 million
Amount Deployed as of October 31, 2009	N/A	Rs. 17,841.40 million	Rs. 27,866.10 million	Rs. 40,399.40 million	Rs. 617.6 million	Rs. 129.30 million
Power Off-take Arrangements						
Type	Short-Term	Short-Term and Long Term	Short-Term and Long Term	Long-Term	Short-Term	Short-Term
Expires	Not applicable due to short-term nature of off-take	10 years from COD	One PPA for 300 MW expires 12 years from COD. The other PPA for 300 MW expires 25 years from COD.	30 years from COD	Not applicable due to short-term nature of off-take	Not applicable due to short-term nature of off-take
Fuel Supply Arrangements						
Supplier	JSWSL	PT Sungai Belati Coal	PT Sungai Belati Coal	BLMCL	BLMCL BLMCL and PT Sungai Belati	N/A
Term Expiration	2031	2034	2034 and 2030	30 years from COD	2034	N/A

(Source: RHP)

Triggers:

An established Power company: JSWEL has been in the business of power generation since 2000. It has been able to identify new opportunities, capitalize on its strengths, position itself as an early participant in power trading, and has planned expansions to its generation assets through a structured approach. JSWEL has a track record of operating its power projects in an efficient manner. It has achieved the following performance parameters, which demonstrate efficient plant operation:

- A high plant availability, with an average of 96.62% since commercial operation began in 2000 through March 31, 2009
- A high plant load factor, with an average of 93.44% from the date of achieving commercial operation in 2000 through March 31, 2009

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- Low percentage of auxiliary consumption of its operational power plant, with an average of 6.97% from the date of achieving commercial operation in 2000 through March 31, 2009
- Continuous improvement in heat rates resulting in efficient fuel usage, the heat rate improved from 2,565 Kcal/kWh in fiscal 2001 to 2,321 Kcal/ kWh in fiscal 2009.

For its newly operational 600 MW JSWEL-SBU II power plant, it stabilized the performance parameters of each 300 MW unit within a month of the commissioning of its operations and has achieved a high plant availability of 92.06% and 100.00% and a high plant load factor of 80.90% and 92.62% for the first 300 MW unit and the second 300 MW unit, respectively, during the period from the commercial operation date of each unit, which was July 1, 2009 and September 1, 2009, respectively, until September 30, 2009.

Fuel tie-up and diversification of fuel supply: JSWEL has achieved long-term fuel linkages for all its projects under operation, construction and implementation thereby ensuring fuel availability. It has taken steps to secure domestic coal linkages for certain projects which will reduce costs and reliance on imported coal, especially exposure to the price volatility, and permit to expedite certain projects under development. A 'coal linkage' is a long-term supply contract for delivery of coal meeting specific contract specifications.

Visibility on projects expected to be completed between November 2009– April 2011 and pipeline of additional power projects under implementation and development: In July 2009 and September 2009, JSWEL commenced commercial operation of the first 300 MW unit and the second 300 MW unit, respectively, of its 600 MW power plant in Karnataka, which has begun to generate revenue. In August, 2009, It also commissioned the first 135 MW unit of RWPL's 1,080 MW power plant in Rajasthan and expects to achieve commercial operation of this 135 MW unit by the end of November.

Its six power generating assets under operation, construction and implementation has an aggregate capacity of 3,650 MW. These projects have all been structured to capitalize on a matrix of benefits including fuel type, fuel location, site location, load centres, and infrastructure availability. It plans to complement these projects with a further 7,740 MW comprising four additional projects which are currently under development. These projects are expected to achieve commercial operation between August 2014 and August 2015.

Power off-take arrangements: JSWEL's power off-take arrangements reflect a careful balance between risks, cash flows, and revenue through a mix of long-term and short-term power purchase arrangements. Under the long-term arrangements it has different types of arrangements:

- A state government approved tariff for the 1,080 MW RWPL project.
- A two part-tariff for part of JSWEL generation assets
- Competitive bidding for 50% of the 1,200 MW JSWERL project.

Under the short-term arrangements, it sells power to power trading companies and through the power exchanges, the Power Exchange of India Limited ("PXIL") and the Indian Energy Exchange ("IEX").

Part of JSW Group: JSWEL is a part of the O.P. Jindal Group, one of India's well-known business groups with over three decades of business experience in various sectors. The JSW Group is a diversified business group with interests in the steel, power, cement, software and infrastructure sectors. It achieves group synergies, including access to talent, securing competitive commercial terms, and sourcing critical equipment and supplies. In addition, the JSW Group has established relationships and a track record with major coal mining companies and traders.

Experience in Project Management: JSWEL and the JSW Group has a track record of building and commercially operating five power plants with a total generating capacity of 1,150 MW, which comprises of JSWEL SBU-I's operational 260 MW power plant, SBU-II's 600 MW power plant, JSWEL's 100 MW combined gas fired power plant, JSWEL's 130 MW coke oven heat recovery based power plant at Karnataka and Southern Iron and Steel Company Limited's 60 MW (2 x 30 MW) gas and coal based power plant at Tamil Nadu. On account of this expertise, it has gained valuable insights and developed direct relationships with vendors and equipment suppliers and are currently constructing and implementing five power plants at four locations capable of generating power aggregating to 2,790 MW. It has achieved timely financial closure, for two of its projects aggregating to a generation capacity of 2,280 MW and for transmission line construction project. On account of timely achievement of financial closure, it has commenced work on certain of its projects ahead of schedule.

Business Strategy:

To continue a structured approach towards expanding and diversifying its portfolio of power generation assets: JSWEL plans to expand its generation capacity and development efforts in order to capitalize on the prevailing and foreseeable future imbalance between electricity demand and supply in India. It intends to pursue a structured approach to achieve this growth by capitalizing on its strengths and synergies with existing businesses for greater profitability and diversification of risks. As a part of this approach, the following are key factors in determining the expansion of generation assets:

- Location
- Power deficits and network constraints
- Fuel sourcing
- Diversity

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It intends to develop most of its power projects under development in a 660 MW or 800 MW configuration using super critical technology in order to take advantage of lower fuel costs using this technology. It also considers building generation assets based on other forms of energy sources including non-conventional and renewable energy resources including solar, wind and nuclear power.

To capitalize on the growth of the Indian power generation sector: The power sector in India has historically been characterized by power shortages that have consistently increased over time. According to the CEA, the total peak shortage was 15,344 MW in June 2009. As per the IEP Report, Expert Committee on Power, in the 11th Plan (2007-2012), a capacity addition of 71 Gigawatts ("GW") and 84 GW, assuming a 8.0% and 9.0% GDP growth rate, respectively, would be required by 2012. Given JSWEL's experience in project management, it is well positioned to capitalize on this growth through its projects under construction, implementation and development.

To ensure fuel security: JSWEL intends to continue to obtain fuel security by acquiring coal assets abroad or through captive coal allocations domestically. In order to ensure this it intends to evaluate different options including equity participation in, and joint development of mines through, special purpose entities. This will enable to achieve long-term fuel availability, reduce reliance on imported coal, and mitigate exposure to the price volatility.

To achieve end-to-end integration: JSWEL intends to build an integrated energy business with a reliable fuel supply and a presence across generation, transmission, distribution and power trading through conventional and non-conventional energy sources. To achieve an end-to-end integrated energy business model, it is pursuing organic and in-organic growth as well as partnering with well-known equipment manufacturers and suppliers. To improve operational efficiency and strengthen results of operations, it could consolidate the operations of its subsidiaries into JSWEL Company from time to time.

To maintain an optimal combination of long-term and short-term power off-take agreements: JSWEL plans to maintain an optimal combination of long and short-term power purchase agreements, or "PPAs," to mitigate the risks and optimize returns to stakeholders. To achieve a balanced portfolio in view of the nature of the power sector in India and the uncertainties related to costs, it sells power generated close to load centers in approximately equal proportions under long-term and short-term PPAs. In contrast, in other locations, the proportion of power sold under long-term PPAs may exceed power sold under short-term PPAs. That could enable it to take advantages of the emerging power scenario in India.

Industry:

Indian Power Industry

The low per capita consumption of electric power in India compared to the world average presents a significant potential for sustainable growth in the demand for electric power in India. According to the 17th Electric Power Survey, May 2007, India's peak demand is expected to grow at a CAGR of 7.6% over a period of 10 years (FY2007 to FY2017) and would require a generating capacity of 300,000 MW by 2017 to cater to this demand compared to an installed capacity of 132,329 MW as on March 31, 2007. Historically, India has experienced shortages in energy and peak power requirements. Energy deficit averaged 8.9% and the peak power deficit averaged 12.8% during Fiscal 2003 to Fiscal 2009, primarily as a consequence of slow progress in the development of additional generation capacity. According to Power Scenario at a Glance, July 2009 (CEA), the total energy deficit and peak power deficit during April to June 2009 was approximately 9.8% and 12.3% respectively.

The shortages in energy and peak power have been primarily due to the slow pace of capacity addition. During the 10th plan period (Fiscal 2002 to Fiscal 2007), capacity addition achieved compared to target capacity addition was 51.5%. During the 11th plan period (Fiscal 2008 to Fiscal 2012), capacity addition achieved was 9,263.0 MW or 56.7% of the target capacity addition of 16,335.2 MW in Fiscal 2008, while in Fiscal 2009, capacity addition achieved was 3,453.7 MW, or 31.2% of the target capacity addition of 11,061.2 MW. According to Power Scenario at a Glance, July 2009 (CEA), as on June 30, 2009, the total installed power generation capacity in India was 150,323.4 MW. The GoI has recognized the power sector as a key infrastructure sector to be developed to sustain Indian economic growth and has taken various steps to reform the power sector to attract private participation, increase competition and reduce aggregate technical and commercial losses.

Power Consumption

The per capita consumption of power in India has increased from 566.7 kWh/year in 2002-03 to 704.2 kWh/year in 2007-08, at a CAGR of 4.4% from 2002-03 to 2007-08. The per capita consumption in India is very low compared to the world average and even compared to other emerging countries. The GoI has set a target to achieve 1,000 kWh per capita by Fiscal 2012, according to its mission of "Power for All by 2012" as envisaged in National Electricity Policy.

Demand / Supply Scenario

Demand for energy increased at a CAGR of 6.0% from Fiscal 2003 to Fiscal 2009 and during the same period, supply of energy increased at a CAGR of 5.6%. The energy deficit averaged at 8.9% and the peak power deficit averaged at 12.8% from Fiscal 2003 to Fiscal 2009 with the deficits increasing. The deficit in electric energy and peak power requirements varies across India. The peak deficit

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was 12.3% from April to June of 2009 with the Northern region facing the highest peak deficit of 16.7%, closely followed by the Western region with a peak power deficit of 15.0%. The deficit is a consequence of slow progress in the development of additional power generation capacity.

Capacity Addition Plans (11th and 12th Plans)

11th Plan (FY2008 to FY2012)

According to National Electricity Plan (April 2007), the requirement of additional capacity during the 11th Plan (Fiscal 2008 to Fiscal 2012) to meet all-India peak demand of 152,746 MW and energy generation requirement of 1,038 BU at the end of 11th Plan (Fiscal 2012) is approximately 82,500 MW. Accordingly, a capacity addition programme of 78,530 MW has been envisaged during 11th Plan comprising 16,553 MW hydro, 58,597 MW thermal and 3,380 MW nuclear.

Sector	Hydro (MW)	Thermal (MW)	Nuclear (MW)	Total (MW)
Central	9,685	26,764	3,380	39,829
State	3,605	24,347	-	27,952
Private	3,263	7,486	-	10,749
All-India	16,553	58,597	3,380	78,530

Source: RHP

This represents a growth in generation capacity of 9.8% per annum during the 11th Plan period, over the installed capacity of 1,32,329 MW at the end of Fiscal 2007.

12th Plan (Fiscal 2013 to Fiscal 2017)

According to National Electricity Plan (April 2007), the capacity addition required during the 12th Plan would be approximately 71,000 MW to 107,500 MW based on normative parameters.

The table presents the various scenarios for required capacity generation during the 12th Plan.

Capacity Addition required during 12th Plan (2012-17)					
GDP Growth	GDP / Electricity Elasticity	Electricity Generation Required (BU)	Peak Demand (MW)	Installed Capacity (MW)	Capacity Addition Required During 12th Plan (MW)
8%	0.8	1,415	215,700	280,300	70,800
	0.9	1,470	224,600	291,700	82,200
9%	0.8	1,470	224,600	291,700	82,200
	0.9	1,532	233,300	303,800	94,300
10%	0.8	1,525	232,300	302,300	92,800
	0.9	1,597	244,000	317,000	107,500

Source: RHP

A capacity addition of 82,000 MW for the 12th plan is recommended by the 17th EPS report based on a scenario of 9% GDP growth rate, an elasticity of 0.8 and a growth rate of 8.3% over the installed generation capacity of 132,329 MW at the end of FY2007.

Concerns:

Inability to obtain approvals from various government entities could have a material adverse effect on financial results and business prospects: JSWEL currently has four projects aggregating 7,740 MW of capacity under development which is significantly more than the 3,650 MW of capacity that is operational and under construction. Even before JSWEL begin construction, it needs certain key approvals and/or documents from various government entities at the Indian central and state government level. These include memoranda of understanding; letters of intent; approvals for land acquisition, environmental clearances; entering into fuel supply, plant and equipment procurement, or financing agreements, any delay in obtaining these approvals could affect the business prospects and financial result.

Do not have government approval to increase the capacity for two of its projects: JSWEL has entered into a MoU with the Government of Maharashtra to set up a 1,000 MW power project at Ratnagiri. It intends to expand the capacity of this project to 1,200 MW. It also intend to develop an additional 270 MW power project at Barmer, Rajasthan on the same parcel of land as RWPL's 1,080 MW power project at that location. Although JSWEL has applied to the respective governments for approval, if the same is delayed or not received, it could be in breach of these agreements and may not be able to develop these projects to the extent of proposed expansion.

Delays in the completion of JSWEL's current power projects under construction or implementation could have adverse effects on its financial results: Only two of JSWEL's power projects and a portion of another project are operational. Three projects and a significant portion of another project are in the construction phase, and another four projects are in the development stage. Each project is required to achieve commercial operation no later than the scheduled commercial operations date specified under the

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implementation agreement or power purchase agreement, subject to certain limited exceptions. The scheduled completion dates for the projects are estimates and are subject to the risks arising from contractor performance shortfalls any of which could give rise to delays, cost overruns or the termination of a project's development.

Merchant power projects are subject to regulatory and tariff risks, which may affect JSWEL's results of operations: Risk related to merchant power projects include:

- Payment risks due to steep increases in fuel cost.
- Competition risk from state owned generating companies with low target returns.
- Regulatory and/or political risk.

Land in connection with the RWPL mines project has not been transferred to JSWEL's joint venture: The RWPL project requires a large parcel of land in connection with the Jalipa and Kapurdi mines to be transferred by the Government of Rajasthan to JSWEL's joint venture, BLMCL. This land still needs to be acquired and transferred. The land acquisition for Jalipa land is at the initial stages. The actual acquisition cost of lands for both the Kapurdi and Jalipa mines cannot be ascertained until the land acquisition process is complete and it is possible that the actual acquisition cost may be higher than these estimated amounts, which in turn could have adverse effect on cash flows and results of operations of JSWEL.

JSWEL's power plants require diverse types of fuel to generate electricity and require significant quantities of such fuels: The most critical feedstock required by power plants to generate electricity is fuel. With the exception of one hydroelectric project, all of the projects under construction, implementation or development are planned to be coal-fired or lignite-fired. A key factor in the success of these projects is the ability to source fuel at competitive prices and in sufficient quantities necessary to generate the contracted capacity under power purchase agreements. Requirements for JSWEL power projects are based on a certain PLF and if it operates power projects at higher PLFs, it needs additional coal, which may not be available on terms that are commercially acceptable to JSWEL. It is also dependent on imported coal for fuel supply and hence any fluctuations in fuel prices or renegotiation will impact JSWEL.

If fuel suppliers fail to perform their obligations, JSWEL's financial condition and results of operation could be adversely affected: JSWEL currently does not have any captive fuel sources for its thermal power projects. Rather, these projects depend on long-term fuel supply arrangements with only two fuel suppliers. These suppliers have a limited history of mining, unknown experience in delivering coal in the large volumes required for its projects, nor a track record of honoring commitments. If a fuel supplier fails, to deliver fuel as scheduled for, it may not be able to make alternative arrangements in a timely manner, if at all, and any such alternative arrangements may be more costly to JSWEL. As a result, fuel supply disruption could materially disrupt the normal operations of the thermal power plants and could have an adverse effect on its financial condition, results of operations, and business prospects.

Significant increases in prices or shortages in the availability of equipment could increase the cost of construction: Price increases or shortages in equipment could adversely affect JSWEL's ability to develop projects in line with its projected budget and may not be able to complete the projects as scheduled. JSWEL may enter into fixed price contracts for its power plant projects under construction and intend to enter into similar contracts for the development of its future power projects; the cost of these contracts is ultimately affected by the availability, cost and quality of raw materials. The BTG package is a major component in the power plants and any delay in placing orders or obtaining delivery will have an adverse impact on the financial condition, results of operation or business prospects.

Delays in the acquisition of land may adversely affect the timely performance of its obligations under implementation agreements, power purchase agreements, and financing agreements: A key condition precedent under implementation agreements and power purchase agreements for new projects is the acquisition or lease of, or securing right of way over, tracts of land for a project site. While JSWEL has acquired land for certain projects, it is still acquiring or leasing land required for others. Also, it does not currently own, nor in the future does it expect to own, the land for all of its projects. Although these projects may have long-term leases, there is a risk that these leases may not be renewed or could be terminated early in the event of a default.

Failure of obtaining certain approvals and licenses required in the ordinary course of business could impact the business: JSWEL requires certain approvals, licenses, registrations and permissions for operating its business, some of which may have expired and for which it may have either made or are in the process of making an application for obtaining the approval or renewal. Any failure to obtain or retain them in a timely manner may adversely affect its operations.

Changes in technology may affect the business by making JSWEL equipment or power projects less competitive: JSWEL's future success could depend in part, on its ability to respond to technological advances and emerging power generation industry standards and practices on a cost-effective and timely basis. Changes in technology and high fuel costs of thermal power projects may make newer generation power projects or equipment more competitive than JSWEL's or may require making additional capital expenditures to upgrade its facilities. In addition, there are other technologies that can produce electricity, most notably fuel cells, micro turbines, windmills and photovoltaic (solar) cells. If JSWEL is unable to adapt in a timely manner to changing market conditions, customer requirements or technological changes, its business, financial performance and the trading price of its shares could be adversely affected.

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JSWEL faces significant competition as a result of deregulation in the Indian power sector: JSWEL operates in an increasingly competitive environment. This is particularly the case, because of the deregulation of the Indian power sector and increased private sector investment. The Electricity Act of 2003 removed certain licensing requirements for thermal power generation companies, providing open access to transmission and distribution networks and also facilitating additional capacity generation through captive power projects. These reforms provide opportunities for increased private sector participation in power generation. Any failure to compete effectively could result in an adverse effect on its business prospects, financial condition and results of operations.

Not yet placed orders for the full requirement of its plant and machinery for projects under implementation and joint venture in mining: JSWEL has not yet placed orders for the full requirement of its plant and machinery for its projects under implementation and its joint venture in mining. Any delay in procurement of plant and machinery may delay its implementation schedule, which may also lead to increase in prices of these equipments, further affecting its cost, revenue and profitability.

Increase in interest rates may materially impact results of operations: As JSWEL's power business is capital intensive; it is exposed to interest rate risk. It is seeking to finance growth in part, with debt, which means that any increase in interest expense may have an adverse effect on the financial results and business prospects.

Seasonality and inclement weather conditions may have an adverse impact on JSWEL's business: JSWEL's business operations may be adversely affected by severe weather conditions, which may require the evacuation of personnel, suspension or curtailment of operations, result in damage to construction sites or delays in the delivery of materials. Collectively, the effect may be to cause delays to its contract schedules and generally reduce the productivity. Difficult working conditions and high temperatures also adversely affect its operations during summer months and during the monsoon season which restricts the ability to carry on construction activities and fully utilize the resources. During periods of curtailed activity due to adverse weather conditions, JSWEL may continue to incur operating expenses, but its income from operations could be reduced.

Depreciation of the Rupee against foreign currencies may have an adverse effect on the results of operations: Substantial portion of the revenues is denominated in Rupees, and JSWEL expects to incur indebtedness denominated in foreign currencies to finance the development of its power projects and joint ventures. It has entered into certain EPC contracts for its project development; the payments under these contracts are denominated in foreign currencies and secured by a letter of credit. In addition, its coal supply agreements with PT Sungai Belati Coal and JSW Mozambique, its freight rate contracts with Kawasaki Kisen Kaisha Limited and Oldendorff Carriers GmbH & Co., and its service contract with Chengdu, Dongsu Power Technology Consultancy Company, are denominated in US dollars. Any depreciation of the Rupee against these currencies will increase the Rupee cost to JSWEL of servicing and repaying its foreign currency payables.

High reliance on short term sales could backfire in case the demand supply scenario turns comfortable over the next few quarters. – The average per unit realization of power from short term sales has fallen from Rs.7.08 in FY09 to Rs.5.46 in H1FY10. If this trend continues, then the benefit of keeping part of the capacity untied from long term perspective may be lost.

Dependence on Chinese equipments could create misgivings on the uninterrupted performance of its plants.

Standalone Financials - P&L:

(Rs in Cr)

Particulars	H1FY10	H1FY09	FY09	FY08	FY07
Total Sales	916.9	810.71	1591.0	1574.0	779.4
Other Income	9.36	1.83	2.9	30.8	32.8
Increase/(Decrease) in stock	0.0	0.0	0.0	0.0	0.0
Total Income	926.3	812.5	1594.0	1604.7	812.3
Expenditure	399.4	372.25	746.9	466.3	323.2
% of sales	43.6	45.9	46.9	29.6	41.5
Operating Profit	526.9	440.3	847.1	1138.4	489.1
OPM %	57.5	54.3	53.2	72.3	62.8
Interest & Financial Charges	108.5	51.44	120.3	88.5	62.9
Depreciation	46.4	29.7	59.6	58.6	58.3
PBT	372.0	359.2	667.2	991.3	367.9
PBTM %	40.6	44.3	41.9	63.0	47.2
Tax (incl. FBT & DT)	77.15	47.22	89.1	135.3	48.7
Effective Tax Rate %	20.7	13.1	13.4	13.7	13.2
PAT	294.8	311.9	578.1	856.0	319.2
PATM %	32.2	38.5	36.3	54.4	41.0
Equity	1366.4	537.7	546.6	514.8	346.8
EPS (on pre-issue equity)	2.2	5.8	10.6	16.6	9.2
EPS (on fully diluted equity)	1.8	1.9	-	-	-

(Source: RHP)

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Peer Comparison based on FY09 numbers:

Company	Net Sales (Rs Cr)		OPM%		NPM%		BV	EPS	CMP	PE	PBV
	FY09	FY08	FY09	FY08	FY09	FY08	FY09	FY09			
Tata Power	7071.5	5797.3	24.8	24.6	13.0	15.0	382.1	41.6	1357	32.6	3.55
GIPCL	1155.0	935.6	19.6	38.1	7.4	10.9	78.2	5.6	119	21.1	1.52
JSWEL*	1591.0	1574.0	53.2	72.3	36.3	54.4	10.8	10.6	100-115	At Rs 100 - 27.8 At Rs 115 - 31.9	At Rs 100 - 9.2 At Rs 115 - 10.7

* - PE based on post issue equity

(Source: Capitaline, RHP)

Company	Book Value	CMP	P/BV	MCap/MW
	FY10 (E)			FY10 (E)
IndiaBulls Power	19.8	33.0	1.7	NA
Adani Power	26.2	97.0	3.7	16.7
Reliance Power	57.6	150.2	2.6	63.9
JSW Energy*	29.9	115.0	3.8	14.3

* = based on fully diluted equity

Conclusion:

JSWEL is a subsidiary of the JSW group, which is one of the large corporate groups in the country. JSWEL is into the power segment covering the entire value chain of power business ranging from Power generation to trading, to transmission and mining. It has strategically located power plants especially on the coastal areas of Ratnagiri and Vijaywada enabling the company to import coal at cheaper rates and curtailing the transportation costs of coal. The company has a strong geographical presence across the country and is an early entrant in the power sector. The Power sector in the country is expected to grow robustly in the coming years backed by government support. The power sector growth is directly linked to the GDP growth of the country. Since the GDP of the country is expected to grow significantly, the power sector could also replicate the same.

JSWEL has been consistently a profit making company since the last 10 years. Huge capacity expansions are expected in the company and by 2014-2016 JSWEL is expected to generate about 8000 MW of power. The promoter's experience in setting up and operating thermal power plants, experienced and professional management, improved profitability in recent years, satisfactory corporate governance, achievement of financial closure (debt) for the proposed projects, presence of long term fuel supply agreements, combination of long term and short term power off-take agreements and favorable industry scenario are some key positives of JSWEL. Some of the limitations of JSWEL are exposure to volatile fuel prices and risks related to foreign exchange commitments. It also faces project implementation risk involving multi fold leap in capacity compared to present operations.

While the stock does look priced better than the recent power IPOs based on FY10 numbers, if one compares based on FY12 numbers the stock is not cheap as the other companies (including Adani Power and Indiabulls Power) are bringing much more capacities on stream (compared to their existing capacity) in the next two years compared to JSWEL. However in the near term, it could generate some listing gains, which should be captured by investors as over the medium term the other power IPOs could do better than JSWEL. One risk could be that the market seems saturated with Power IPOs in the near term and there seems to be limited appetite for another IPO from this sector given the fact that the recently listed power IPOs have given negative returns. Investors could subscribe to the IPO, preferably at the lower band, for listing gains.

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