

Focus on coal @ Adani at India Conference

**Bank of America
Merrill Lynch** 

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Having met with management today at our 15th Annual India Investor Conference in New Delhi, these are some of our takeaways...

Adani Power: an unregulated and focused IPP; Buy

- 1) Adani Power (APL) highlighted focus scale up its capacity 4.7x to 9.24GW by FY14E vs 1.98GW in FY11E via an unregulated business model (no cap on RoE).
- 2) 77% presold capacity (7.14GW of 9.24GW) at healthy pre-sales tariffs, secured fuel/funding, location advantage and business model – front-loaded merchant power with assured shift to PPAs.

These competitive advantages and 77% presold capacity at healthy pre-sales tariffs at ~Rs2.9/kWh make APL one of the top EBITDA margin (58% in FY13E) and RoE (23%) earner in our IPP universe.

More projects - 15.9GW, PPAs and risk mitigation since IPO

- Synchronized India's first 660MW supercritical unit at Mundra in Dec'10. Capacity at 1.98GW vs 660MW in FY10
- Added more projects under pipeline - 15.9GW vs 9.9GW at its IPO (July09) by adding 3.3GW Mundra V, 1.32GW Tiroda III, 1.32GW Chhindwara and 660MW Dahej. Work on all these sites should start in next one year.

Risks: Clients remain worried on: execution, delivery of coal by Coal india in-line with linkage letter, imported coal – exposes it to country, currency & freight risks, and fall in power rates on lower power deficit.

Stock Data

Price	Rs117.00
Price Objective	Rs153.00
Date Established	7-Sep-2010
Investment Opinion	C-1-9
Volatility Risk	HIGH
BofAML Ticker / Exchange	XADPF / BSE
Bloomberg / Reuters	ADANI IN / ADAN.BO

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Refer to important disclosures on page 4 to 7. Analyst Certification on Page 2. Price Objective Basis/Risk on page 2. Link to Definitions on page 2. 11019393

Price objective basis & risk

Adani Power Ltd. (XADPF)

Our PO of Rs153 is based on a sum-of-the-parts valuation. We have valued the Parent capacity of 4620MW Mundra project at Rs66 per share based on DCF. We have valued the 74% stake in 3300MW Tiroda project at Rs77 per share on DCF basis. The 100% stake in 1320MW Kawai project is valued at Rs10 per share on DCF basis. The overall cost of capital assumed is 13.7%. Risks: Project execution, financing, imported coal exposes it to potential country, currency and freight risks, Chinese labour, denial of SEZ benefits, Infra bottleneck and fall in power rates on potential match of demand-supply of power in India.

Link to Definitions

Energy

Click [here](#) for definitions of commonly used terms.

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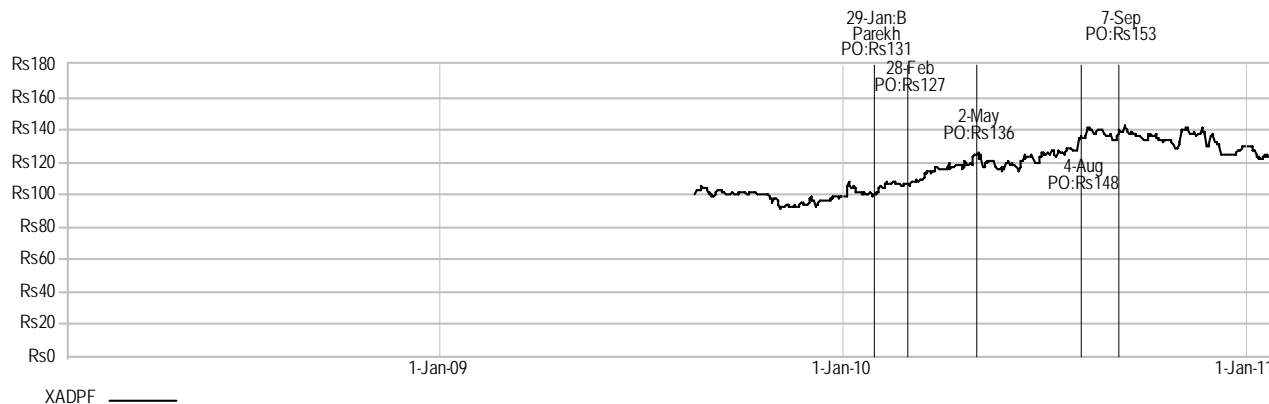
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XADPF Price Chart



B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid, NR: No Rating

Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of January 31, 2011 or such later date as indicated.

Investment Rating Distribution: Utilities Group (as of 01 Jan 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	74	39.57%	Buy	30	46.15%
Neutral	56	29.95%	Neutral	33	63.46%
Sell	57	30.48%	Sell	17	33.33%

Investment Rating Distribution: Global Group (as of 01 Jan 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	2011	53.86%	Buy	874	48.31%
Neutral	925	24.77%	Neutral	444	52.30%
Sell	798	21.37%	Sell	276	36.75%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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Underperform	N/A	≥ 20%

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