Company Report
Industry: Power

Lanco Infratech

Big Leap

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Contents

Page No.

Prabhudas Lilladher

Company Report

October 18, 2010

Lanco Infratech

Rating	**Accumulate**
Price	Rs68
Target Price	Rs83
Implied Upside	22.1%
Sensex	20,125

(Prices as on October 15, 2010)

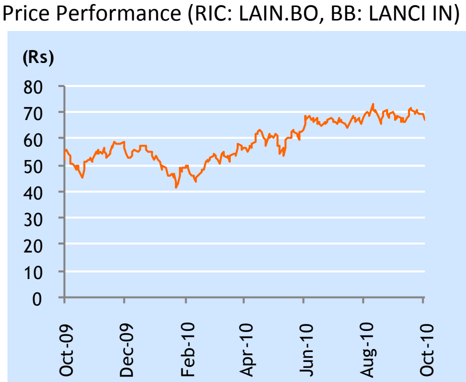
Trading data	
Market Cap. (Rs bn)	162.0
Shares o/s (m)	2,385.5
3M Avg. Daily value (Rs m)	316.9

Major shareholders	
Promoters	67.95%
Foreign	19.64%
Domestic Inst.	4.46%
Public & Other	7.95%

Stock Performance

(%)	**1M**	**6M**	**12M**
Absolute	(0.7)	17.6	28.4
Relative	(3.9)	(13.0)	0.6

Price Performance (RIC: LAIN.BO, BB: LANCI IN)



Source: Bloomberg

- **Power portfolio breaking grounds:** Operational capacities will scale up to 5350MWs by FY13E; the present portfolio is quite attractive too. Free cash flow from Power business of close to Rs50bn over this period will be self-funding for capacities currently in advance stages of construction; however, new projects would require some fund raising. Lanco is planning Brownfield expansions at 3 sites aggregating to 3.3GWs.

- **All round EPC capability, robust support:** Lanco Infratech (Lanco's) in-house construction capability has made its power projects cost competitive and well-organized. Robust order book of Rs250bn, with niche external orders, will drive revenue CAGR of 23% over FY10E- FY13E, with EBITDA margins straightening out to 15%.

- **Positive events foster confidence:** Company's newer projects like Vidarbha Babanadh 1 and Kondapalli 3 (totalling to 3.4GWs) have achieved back to back financial closures and are progressing well in terms of construction. Lanco has simultaneously placed BTG orders which will take care of present projects as well as Brownfield expansions. We expect Lanco to add more than 1000MWs YoY in next two years and reach an operational capacity of 7330MWs by FY14E. Moreover the company has already commissioned close to 1.6GWs in last 18 months and will sell close to 750MWs in merchant market in FY11E.

- **Valuation and Recommendations:** Trading at a 3.1x P/B value FY12E, Lanco would enjoy some premium as compared to its peers, on account of visible cash flows plus surprises in terms of new asset wins. However, dilution at parent or SPV level would remain an overhang incase the present projects fail to deliver. Thus, we initiate coverage with an '**Accumulate**' rating.

Key financials (Y/e March)	**2010**	**2011E**	**2012E**	**2013E**
Revenues (Rs m)	80,320	101,898	123,487	149,525
Growth (%)	*33.7*	*26.9*	*21.2*	*21.1*
EBITDA (Rs m)	14,515	32,912	38,455	47,121
PAT (Rs m)	4,585	10,171	9,897	8,762
EPS (Rs)	1.9	4.3	4.1	3.7
Growth (%)	*50.7*	*121.8*	*(2.7)*	*(11.5)*
Net DPS (Rs)	—	—	—	—

Source: Company Data; PL Research

Profitability & Valuation	**2010**	**2011E**	**2012E**	**2013E**
EBITDA margin (%)	18.1	32.3	31.1	31.5
RoE (%)	16.9	26.6	20.7	15.4
RoCE (%)	7.7	9.4	6.3	4.9
EV / sales (x)	2.9	3.2	3.2	3.0
EV / EBITDA (x)	16.3	9.9	10.2	9.4
PE (x)	35.3	15.9	16.4	18.5
P / BV (x)	4.8	3.8	3.1	2.6
Net dividend yield (%)	—	—	—	—

Source: Company Data; PL Research

Investment Highlights

Power portfolio breaking grounds

Lanco added capacity of 840MWs in FY10 and is on strong inflexion point of commissioning close to 4000MWs in coming two to three years, which are currently under construction. ***The capacity addition, unlike other players, is at regular intervals and not back-ended. We expect capacity additions (on a conservative stance) of 1322MWs in FY11E and 1205MWs in FY12E which is expected to peak to 1980MWs by FY14E (from the visible projects).*** These capacities are grounded on clear-cut clearances from various departments, back-to-back sourcing of fuel through linkages and sustainable mix of tariffs. Thus, the company would be in a centre point to take advantage in the merchant market with close to 750MWs in FY11-12E as well as building up a sustainable portfolio.

Projects on Sound Footings

Plants	Land	Water	Env Clearance/DPR	Fuel Linkage	BTG/EPC	FC	COD (PL Est.)
Amarkantak 3&4	Y	Y	Y	SECL- Partly	Dong Fang/Harbin	P	Jan-2014
Budhil	Y	Y	Y	NA	Dong Fang	Y	Nov-2011
Udupi	Y	Y	Y	PT Adaro/Glencore	Dong Fang	Y	July 2010 & Dec 2010
Anapara	Y	Y	Y	NCL	Dong Fang	Y	Dec 2010 & June 2011
Teesta	Y	Y	Y	NA	Dong Fang	Y	Jan-2014
Uttaranchal	Y	Y	Y	NA	Dong Fang	Y	Jan-2014
Kondapalli 3	Y	Y	Y	Not Done	GE/Harbin	Y	Mar-2012
Vidarbha	P	Y	P	MCL	Dong Fang/Harbin	Y	Mar-2015
Babandh	Y	Y	Y	CIL/Captive	Dong Fang/Harbin	P	Sep-2014

Source: Company Data, PL Research

Offlate, in the last two months the company has financially closed 3372MWS of power plants which is a record in its genre.

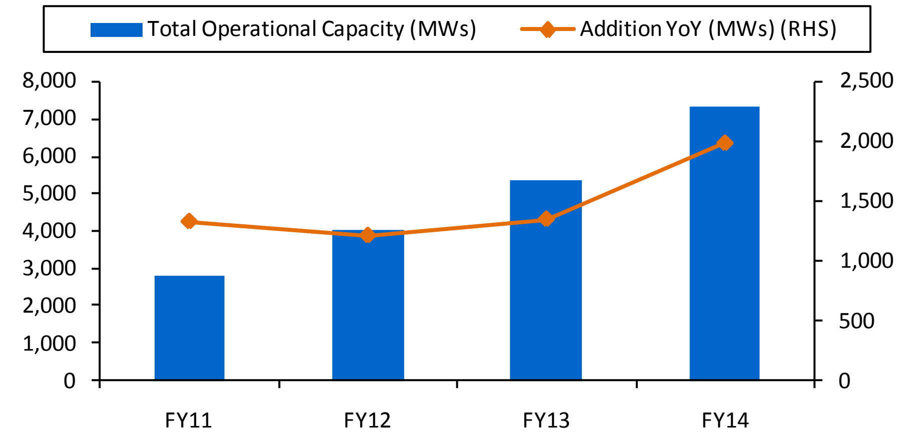
Project	MWs	Cost (Rs bn)	Debt (Rs bn)	Equity (Rs bn)	Bankers
Babandh	1320	69.3	55.4	13.9	14 banks ICICI Lead
Vidarbha	1320	69.4	59.5	13.9	16 banks PNB Lead
Kondapalli 3	732	26.1	18.3	7.8	Axis Lead

Source: Company Data, PL Research

Thus, with these events the company has the projects of nearly 6.5GWS (out of 8GWs) under construction and development financially closed.

Along with planned projects, Lanco till now in FY11 has commissioned close to 733MWs of projects, including first unit of Udupi 600MWs and Kondapalli 133MWs. Other projects which are expected to come onstream during the year are Udupi 2nd unit of 600MW and Anapara 2 units of 600MWs each. However, we have factored in some delays and conservatively expect the year end fully operational capacity to be at 2.8GWs.

Capacity Addition – Near Term



Source: Company Data, PL Research

Well-built Fuel strategy

Power utilities nearly accounted for 55-60% of the coal requirement/consumption from the domestic production in FY10. Out of this, 40% share was taken by the power sector again. The production of Coal India in FY10 stood at 431m tonnes, which was only 6.9% higher than FY09; the growth rate is expected to remain more or less constant. However, the YoY demand for coal is expected to increase by 10% plus over the same period. The all-India projected demand of coal is 656m tonnes in FY11 and 713m tonnes in FY12. The supply of domestic coal to the power sector in FY11 is expected to fall short by 80m tonne, which is likely to widen upto 100m tonnes in FY12.

Coal Statistics (Est)

	Demand	Supply	Gap
FY11	656	572	84
FY12	731	630	101

Source: Coal India, PL Research, Industry

Imports catered to 11% of the demand gap in FY10 (50m tonnes) which is expected to increase to 15-20% in the coming 2-3 years. Over and above that, nearly 40m tonnes would be required additionally from imports for the power plants based on imported coal capacities. However, with higher prices and inadequate infrastructure imported coal would be a costly affair for generation, in turn, leading to lower profits or necessitating changes/abolishing in PPA terms. Moreover, till CY2009, roughly 200 blocks were awarded on captive basis, with reserves of 50bn tonnes, of which not even 10% have started excavation.

Fuel requirements secured

As compared to its peers, Lanco has a very well-sketched fuel sourcing arrangement for its 7500MW capacity (all thermal) which is expected to come onstream by FY16E. Moreover, unlike others, the company's reliance on imported coal is to the extent of 14.5% which is lower than peers. However, gas for the Kondapalli 3 (expansion project) needs to be tied up from the KG basin, which would not be a problem, going forward.

Three to four years ago, when the company had mainly won projects through Case 1 bids and through MOUs, it did face some risks attached for obtaining proper fuel linkages. However, along with timely execution of projects, the company simultaneously firmed up linkages, mainly from domestic sources aggregating to 5GWS. In addition to this, Lanco also has a project of 1200MWs where coal from Indonesia is tied up and 1320MWs where captive coal mines have been allocated.

Fuel Mix

Fuel/MWs	FY10	FY11E	FY12E	FY13E	FY14E
Thermal	300	1,200	2,400	3,000	4,980
Hydro	10	737	742	742	742
Gas	853	853	853	1,595	1,595
Wind	10	13	13	13	13
Total	**1,173**	**2,803**	**4,008**	**5,350**	**7,330**

Source: Company Data, PL Research

On the fuel cost front, being primary linkage, coal cost would be according to the set policies and thus, would not drastically fluctuate. However, Lanco enjoys some pricing/costing advantage on account of proximity to fuel source. The company's imported coal of nearly 4.5MTPA is expected to be sourced from Indonesia's PT Adaro/Glencore. The landed cost of coal would be close US$60 according to our estimates. Lanco would, on the other hand, also benefit from the low cost of coal through captive mines allocated for another 1320MWs. Here again a delay in mining activity may lead to sourcing fuel from tapering linkages (which increases the price of fuel).

Fuel Strategy

Plants	Mws	Fuel Req. p.a	Linakges	Rate of Fuel	Fuel Type	GCVs	Fuel Cost / unit (Rs)
Kondapalli 1 (mmscmd)	368	2.05	GAIL	$5.2/mmbtu	Gas	9000 Kcal/scm	1.8
Chitradurga	3	NA	NA	NA	Wind	NA	NA
Aban (mmscmd)	119	0.56	GAIL	$5.2/mmbtu	Gas	9000 Kcal/scm	1.8
TN Wind	10	NA	NA	NA	Wind	NA	NA
Vamshi Hydro	10	NA	NA	NA	Hydro	NA	NA
Amarkhntak 1 (Tonnes/p.a)	300	1.76	SECL	Rs1100/per tonne	Coal	3500Kcal/kg	0.8
Kondapalli 2 (mmscmd)	366	1.83	RIL	$5.2/mmbtu	Gas	9000 Kcal/scm	1.8
Vamshi Inds	10	NA	NA	NA	Hydro	NA	NA
Amarkhntak 2 (Tonnes/p.a)	300	1.76	SECL	Rs1200/per tonne	Coal	3500Kcal/kg	0.8
Uduipi (Tonnes/p.a)	1200	4.28	PT Adaro/Glencore	Rs2500/per tonne	Coal	5500Kcal/kg	1.2
Budhil	70	NA	NA	NA	Hydro	NA	NA
Anpara (Tonnes/p.a)	1200	6.84	NCL	Rs1200/per tonne	Coal	3200Kcal/kg	1.0
Teesta	500	NA	NA	NA	Hydro	NA	NA
Utranchal	152	NA	NA	NA	Hydro	NA	NA
Kondapalli 3 (mmscmd)	742	3.7	Not Done	$6/mmbtu	Gas	8500 Kcal/scm	1.8
Babandh (Tonnes/p.a)	1320	7.3	CIL/Captive	Rs1200/per tonne	Coal	3500Kacal/kg	1.0
Amarkhntak 3 & 4 (Tonnes/p.a)	1320	8.0	SECL- Partly	Rs1400/per tonne	Coal	3200Kcal/kg	1.2
Vidharbha (Tonnes/p.a)	1320	7.5	MCL	Rs1450/per tonne	Coal	3200Kcal/kg	1.2

Source: Company Data, PL Research

Nevertheless, as most of the capacities would be on a pass through mechanism, price of the fuel would not create a huge deviation on the profitability. However, merchant profitability would have some repercussions on account of prices of fuel, if the company is not able to tie up with PPAs for the back-ended capacity addition plans including Vidharbha, Babhandh and the likes. ***Similarly, there exists a deviation upto Rs1kw/hr regarding cost of generation between domestic and imported coal, thus, making firm domestic linkages more important in case of Lanco, backed by faster ramp up of capacities.***

Regarding gas-based projects, Lanco has been availing fuel from APM and Gail and now from KG D6 fields and thus, has fully secured the operational capacity needs. We expect the company to soon tie-up gas for the remaining 742MWs of Kondapalli expansion projects, requiring gas close to 3mmscmd once the plant is ready.

Lanco has in the past tied up for Chinese BTGs for capacities which came up in the last 15-18 months and is following it aggressively for its upcoming capacities which are on supercritical technology. As far as the visa issue of the Chinese is concerned, Lanco has a well-trained domestic technical staff of nearly 3000 persons which will cater to the EPC needs, if at all there is a problem. With a recent win of BOP order from Mahagenco, the company's in-house EPC capabilities are well proven.

Chinese BTGs to fuel faster execution

Plants	BTG
Kondapalli 1 (mmscmd)	Doosan
Chitradurga	NEG
Aban (mmscmd)	GE
TN Wind	Suzlon
Vamshi Hydro	Boving Fouress
Amarkantak 1 (Tonnes/p.a)	Dongfang
Kondapalli 2 (mmscmd)	GE/Harbin
Vamshi Inds	Boving Fouress
Amarkantak 2 (Tonnes/p.a)	Dongfang
Udipi (Tonnes/p.a)	Dongfang
Budhil	Harbin
Anapara (Tonnes/p.a)	Dongfang
Teesta	Dongfang
Uttaranchal	Dongfang
Kondapalli 3 (mmscmd)	GE/Harbin
Babandh (Tonnes/p.a)	Dongfang/Harbin
Amarkantak 3 & 4 (Tonnes/p.a)	Dongfang/Harbin
Vidarbha (Tonnes/p.a)	Dongfang/Harbin

Source: Company Data, PL Research

According to media reports 'Lanco has recently placed a huge order with *Harbin* of China for BTGs aggregating to 10.6GWs for Rs69bn. The deal is to only supply BTG sets and excludes BOP and other auxiliary equipments. The price has been one of the best deals where the cost comes to Rs6.6m/MW, which is cheaper by 15-20% as compared to Indian players. The company believes that apart from cost saving it is the delivery schedule which has made them bet on Chinese equipments. In case of Lanco up till now the performance has been satisfactory with high avaibility/generation for capacities aggregating to 1500MWs. ***However, the key issue, going forward, would be performance of Chinese BTGs on Indian coal as Lanco has maximum capacities coming up on indigenous coal.***

Perfect mix of tariff

The much discussed demand-supply gap leading to base power deficit of 10% and thus, keeping the merchant and bilateral prices higher, is expected to continue for the next 2-3 years. We estimate India to add another 100GWs in the next 6 to 7 years which is expected to reduce the merchant prices to Rs3 per unit (on lower side) from the current prices by 30-35%. Thus, an early mover advantage scenario is created whereby a player with upfront merchant capacities would make most of it.

Merchant Supply

Company	Total MWS	Merchant	PPAs
Adani	6,600	28%	72%
JSW	3,650	40%	60%
JPVL	2,200	18%	82%
Lanco	4,008	19%	81%

Source: Industry, PL Research

However, on the flipside, a PPA would assure steady annuities over a period of time with guaranteed offtakes, which is an important requisite for a viability of a project as a whole. Most of the industry players have now turned their attention to the medium-to-long term PPAs, either on full pass through mechanism or a fixed price which is lower than merchant but little higher than cost plus basis. However, on both the terms, a ROE of 16% is guaranteed and efficiency and faster ramp up would give additional benefits during and before the project life.

Mounting losses to the SEB's have (close to Rs500bn in FY10) increased on account of shortage of power, steep rise in power rates and AT&C losses. This is expected to lower merchant rates, going forward, due to load shedding or tie-up with PPAs (on account of robust capacity addition). Thus, Lanco's view of tying up nearly 75% of the output through long-to-medium term PPA's would augur well.

Lanco appears more defensive

Lanco has a perfect blend of revenues in terms of merchant upsides and PPA annuities, which would be biased towards long-term contracts, going forward. However, back-ended merchant capacities would not help in incremental cash flow as the rates are eventually going to move southwards. Lanco's present capacities of nearly 700MW merchant sales are likely to fetch 30% plus ROEs in near term.

Offtake mix (MWs)

Plants	PPA	Merchant/Uncommitted- Assumed
Kondapalli 1	368	0
Chitradurga	3	0
Aban	119	0
TN Wind	10	0
Vamshi Hydro	10	0
Amarkantak 1	0	300
Kondapalli 2	0	366
Vamshi Inds	10	0
Amarkantak 2	300	0
Udipi	1,015	0
Budhil	70	0
Anapara	1,100	100
Teesta	500	0
Uttaranchal	0	152
Kondapalli 3*	0	742
Babandh*	660	660
Amarkantak 3 & 4*	396	924
Vidarbha*	990	330

Source: Company Data, PL Research ** (PL Estimates)*

EPC business…a strong support

Lanco initially started with execution of third-party projects in the areas of power, irrigation, roads and civil structures. However, with a foray in utilities business, the company pioneered in setting up an in-house EPC division and later scaled it up to new highs, with ongoing execution of 5000MWs plus capacities. The company takes the whole EPC contract of the power project and outsources the BTG component to Chinese players. Being in-house, the cash flows from this division helps in cost saving and indirect way of funding equity in power projects, thus, making it a more self-funding model, going forward. Lanco has recently placed a huge order for supply of only BTG sets which leaves the room for BOP execution in-house.

Order book Details

Order book Details as on Q1FY11	(Rs m)
Power	
Amarkantak- I&II	347
Amarkantak- III&IV	52,690
Teesta	15,980
Anapara	8,613
Udupi	4,520
Kondapalli Ph II	304
Kondapalli Ph III	19,753
Vidarbha	56,760
Babandh	55,840
Others	4,416
Mahagenco BOP (New)	13,000
Total	**232,223**
Others	
Building	17,509
Road	2,347
Water pipeline & Irrigation	4,872
Transmission Line	3,522
Chimneys	489
Biju Patnaik Airport, Bhubaneswar (New)	917
Total	**29,656**

Source: Company Data, PL Research

Apart from the power projects, Lanco also has close to 10% of the order book from external clients in the space of buildings, water, and power BOP segments. The company has recently won a Power BOP order from Mahagenco for Rs13bn (3X660MW) which exhibits the group’s capability for power EPC. However, going forward too, we believe that the EPC division will act as a prime support system for 5GW project pipeline, with an 80% share of the order book.

Other businesses

Apart from its core power segment growth, Lanco has other growth drivers as well which are though smaller in size.

Real Estate...not a sector to be in

In Real estate, Lanco has a near-term plan of developing an area of 4.5m sq.ft, of which, 2m sq.ft is already booked. The company has reduced prices to Rs3200 per/sq.ft and thus, in FY10, it has booked negative revenues from this business on account of discounts offered for past revenue bookings.

Real Estate Summary

Name of the Projects	Location	Stake (%)	Land Available (acres)	Cost of Land (Rs m/acres)	M sq. ft. to be developed	Type of Development (m sq. ft)		(m sq. ft) booked
						Residential	Commercial	
Lanco Hills	AP	74	100	40	4.5	4	0.5	2

Source: Company Data, PL Research

We presume that Lanco has received 40-50% amount as pre sales out of the total sales amount of Rs6.4bn. We expect that the whole project will get sold by FY13 and as the project is in Andhra Pradesh, where there is a considerable slow down, the upsides are limited.

Road BOT…small footing

Lanco has 2 BOT toll road projects (both won on positive grants) which would be operational in FY11 and clock an aggregate sales of Rs2.5bn p.a. However, on the PAT front, we expect the projects to breakeven by FY13E.

Road BOTs Summary

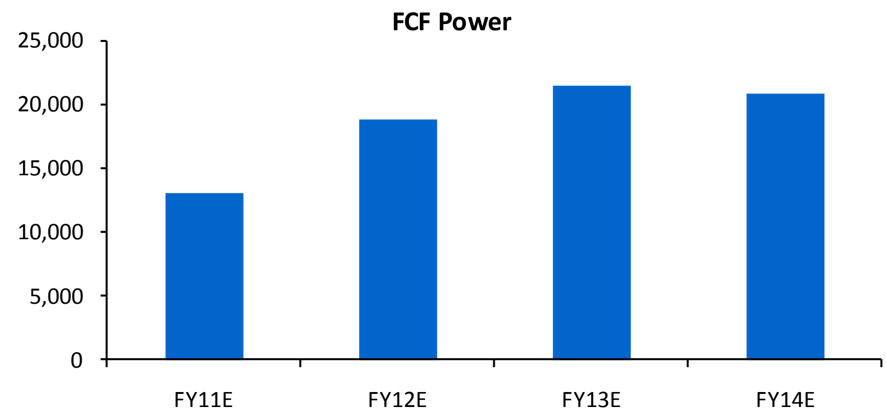
Name od the Project	Length (km)	Stake (%)	Type	PC (Rs m)	EQ (Rs m)	Debt (Rs m)	Grant (Rs m)	COD	Est. PCUs (mn/p.a)	Reveues (Rs m/p.a)
Bangalore Hoskote Mulbagal	81	100	BOT Toll	7,364	1,349	4,125	1,890	Jul-10	24.9	1398
Nelamangala-Devanahalli	82	100	BOT Toll	6,150	1,098	3,293	1,759	Jul-10	16.4	1174

Source: Company Data, PL Research

Funding requirement …not a problem in the near term

The power segment alone is expected to generate free cash flows (PAT +Depreciation) to the tune of Rs50bn over FY11-13E on account of 4000MW addition.

FCF Power business



Source: PL Research

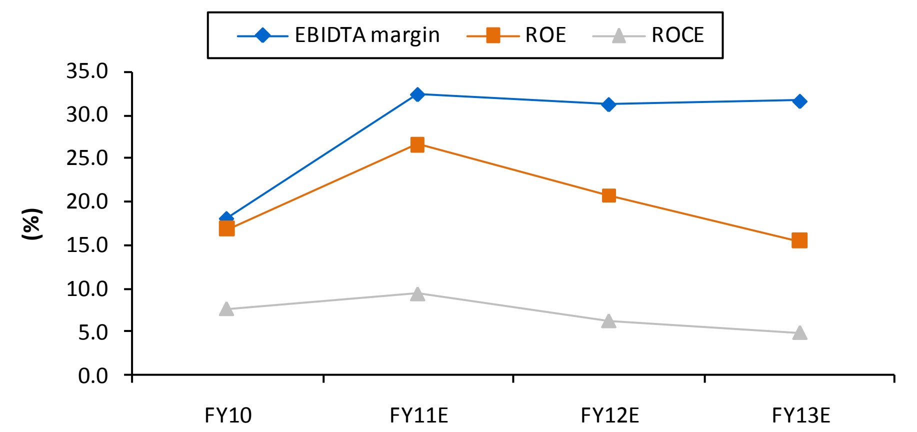
However, the FCFE of the consolidated basis will be lumpy on account of capitalisation of new projects, debt repayment and equity requirement for future projects.

We believe that the new projects mainly Vidharbha and Amarkantak 3&4 and other ongoing projects would require equity to the extent of Rs40bn in the next three years. Cash generation from operational plants, healthy growth of the EPC business, plus group level cash equivalents of Rs15bn in the near term would suffice the equity requirements. We, however, believe for future expansion, raising of fresh equity or taking additional loan burden in the parent balance sheet becomes imperative. We have assumed an equity gap funding to the tune of Rs14bn 2 years hence which would be arranged through IPO/PE. However, we have taken it as borrowings at the parent level. Near-term SPV level debt requirement, on the other hand, to the extent of Rs250bn has already been arranged.

Financial Overview

We have taken a conservative stance on capacity addition which when translated to revenues will give a YoY average growth of 20% from FY11E-13E. EBITDA margins, being mainly driven by power, are set to improve from historic levels with an additional benefit of merchant sales. Lanco has adopted WDV method of depreciation for all the future assets which are to be capitalized, thus, being dilutive to the PAT.

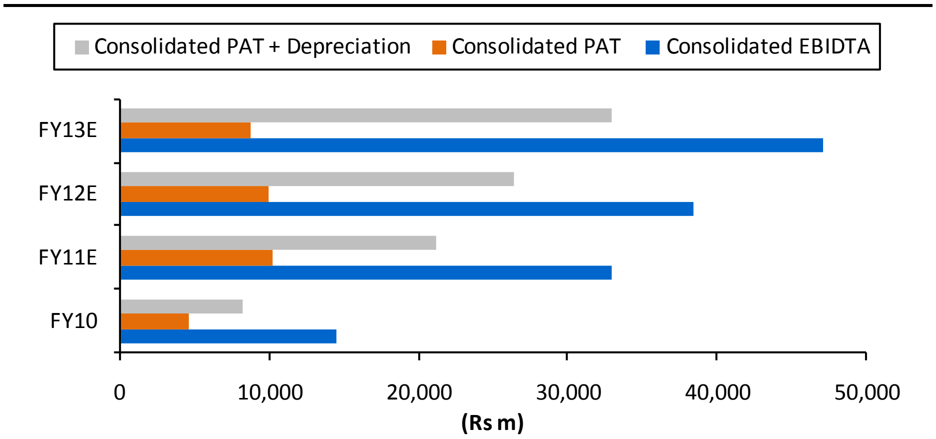
Return Ratios



Source: PL Research

We expect a PAT After MI CAGR of 24% over FY10-13E on account of a 23% revenue CAGR and robust EBIDTA margins. Lanco is expected to report a PAT of Rs10.1bn, a 100% growth YoY in FY11E on account of close to 3GWs up and running and benefits of stable but higher merchant rates.

Financial summary Rsm

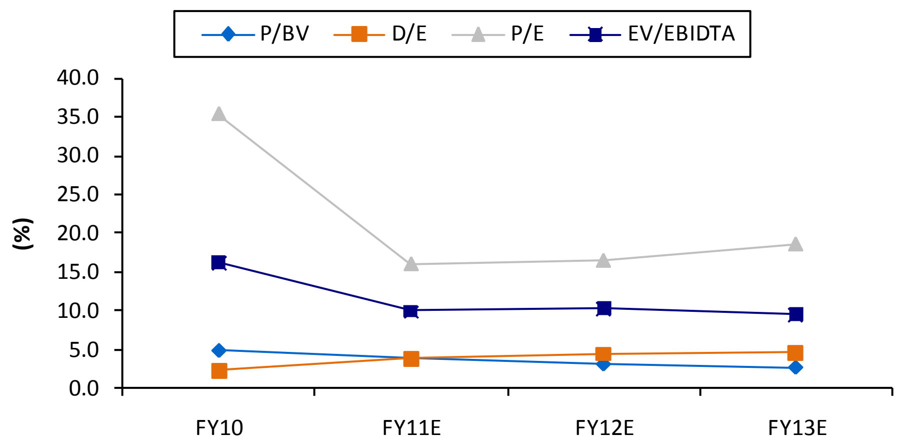


Source: PL Research

Valuations ...has room for upsides

A CAGR of 23% and 48% in the revenues and EBIDTA over FY10E-13E, respectively, is expected to place Lanco in the box seat. With a stable base having a capacity of 5GWs, up and running over the next three years and with future projects to come up on schedule, Lanco is expected to entrench its position in the power sector. On the financial side, the returns are also expected to improve with maturing of assets, upsides in merchant prices, whereas timely execution and competitive financial closures would be additional triggers to the stock.

Valuations ratios



Source: PL Research

Downside risks remain limited as majority projects have crossed the crucial hurdles and future projects are well funded and strategized for. The stock has rallied by 20% in the last six months factoring in some achievements of the company. We expect that a fair room still remains to factor in future growth and newer projects. Thus, we initiate the coverage on the stock with an '**Accumulate**' rating and a target price of Rs83.

Comparative Valuations

Company	EPS (Rs)		P/BV (x)		RoE (%)	
	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E
NTPC	12.2	13.6	2.4	2.2	15.3	15.3
REIL	61.9	64.5	1.3	1.2	7.5	7.5
TPWR	28.9	29.8	3.1	3.0	8.1	8.1
GMR	0.4	1.1	2.9	2.7	2.0	2.0
GVK	1.4	2.2	1.9	1.7	6.0	8.0
AND	4.1	13.5	4.5	3.3	14.0	22.0
JSWE	8.4	13.4	3.6	2.7	23.0	25.0
Lanco	4.3	4.1	3.8	3.1	26.6	20.7

Source: Company Data, Bloomberg, PL Research

SOTP

Entities	Method	Assumptions	Total Value (Rs m)	PSV (Rs)
Standalone		**Valuation of standalone businesses**	**15,923**	**7**
Construction	EV/EBITDA (75% discount to LT)	5x FY12 EBITDA of Rs11109m	57,026	24
Chitradurga Power & TN Wind		P/BV	341	0.1
Less: Debt FY12		Standalone Debt	41,444	17
BOT & Real Estate		**NPV/DCFF value**	**7,312**	**3**
Road	NPV	13.3% discounting factor, FCFF	6,229	2.6
Real Estate	NAV	4m sq ft development considered on NAV	1,083	0.5
Power		**DCFE**	**154,393**	**63**
Kondapalli 1	Gas	COE 12%	1,708	0.7
Kondapalli 2	Gas	COE 12%	11,722	4.9
Aban	Gas	COE 12%	219	0.1
Vamshi Hydro	Hydro	COE 12%	412	0.2
Amarkantak 1	Coal	COE 12%	17,843	7.5
Vamshi Inds	Hydro	COE 12%	352	0.1
Amarkantak 2	Coal	COE 13%	7,629	3.2
Udupi	Coal	COE 14%	13,427	5.6
Budhil	Hydro	COE 12%	62	0.0
Anapara	Coal	COE 13%	13,136	5.5
Teesta	Hydro	COE 14%	4,058	1.7
Uttaranchal	Hydro	COE 14%	2,811	1.2
Kondapalli Exp	Gas	COE 13%	14,407	6.0
Babandh	Coal	COE 14%	29,428	12.3
Amarkantak 3 & 4	Coal	COE 14%	25,707	9.8
Vidharbha	Coal	COE 15%	9,233	3.5
Lanco Power Trading	Trading	P/E 14x FY12E	2,240	0.9
Future Growth			**30,646**	**9.9**
SOTP		**Mkt Cap**	**208,273**	**83**
CMP & Mkt cap		**Current Mkt Cap**	**161,735**	**68**
Potential Upside %				***22.3***
US$ bn			**4.6**	

Source: PL Research

Financials

Revenue Mix (Rs m)

	FY07	FY08	FY09	FY10	FY11E	FY12E	FY13E
Project Development	5,264	13,551	30,743	45,431	64,284	74,063	86,516
Sales of Energy	10,679	17,225	27,043	35,372	56,022	79,663	107,021
Sale of emission reduction certificates	-	348	68	171	150	150	150
Property Development	-	1,288	1,574	(257)	2,726	2,839	5,044
Income from management consultancy	-	-	1,281	358	300	250	250

Source: Company Data, PL Research *(Figures are before inter segment elimination exercise)*

Income Statement (Rs m)

Y/e March	**FY07**	**FY08**	**FY09**	**FY10**	**FY11E**	**FY12E**	**FY13E**
Net Revenue	**15,944**	**32,413**	**60,062**	**80,320**	**101,898**	**123,487**	**149,525**
Growth (%)	*15.0*	*9.8*	*14.6*	*44.7*	*75.0*	*36.1*	*23.3*
Const, gen and op exps	11,220	23,813	49,076	61,494	63,923	78,232	93,052
% of Net Sales	*70.4*	*73.5*	*81.7*	*76.6*	*62.7*	*63.4*	*62.2*
Admin exps	639	1,605	2,750	4,312	5,063	6,800	9,352
% of Net Sales	*4.0*	*5.0*	*4.6*	*5.4*	*5.0*	*5.5*	*6.3*
Cost of Goods Sold	11,860	25,418	51,826	65,805	68,986	85,032	102,404
EBITDA	**4,084**	**6,994**	**8,236**	**14,515**	**32,912**	**38,455**	**47,121**
Margin (%)	*25.6*	*21.6*	*13.7*	*18.1*	*32.3*	*31.1*	*31.5*
Depreciation	656	776	2,185	3,554	11,033	16,522	24,235
Other Income	530	953	552	1,839	1,430	1,325	1,261
EBIT	**3,958**	**7,171**	**6,603**	**12,800**	**23,309**	**23,258**	**24,147**
Interest	829	921	1,073	3,479	6,268	9,152	11,523
PBT	**3,130**	**6,250**	**5,530**	**9,321**	**17,041**	**14,106**	**12,624**
Total tax	472	1,405	1,690	3,643	4,771	3,527	3,282
Effective Tax rate (%)	*15.1*	*22.5*	*30.6*	*39.1*	*28.0*	*25.0*	*26.0*
PAT	**2,658**	**4,845**	**3,840**	**5,679**	**12,269**	**10,580**	**9,342**
Minorities	778	1,304	1,036	1,093	(2,098)	(683)	(579)
Adjusted PAT	**1,880**	**3,542**	**2,803**	**4,585**	**10,171**	**9,897**	**8,762**
Units Sold (m)	**2,329**	**2,834**	**2,879**	**5,028**	**12,154**	**21,511**	**32,874**
Order Book (Rsm)	**52,000**	**130,170**	**103,167**	**257,137**	**296,253**	**247,190**	**170,673**

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY07	FY08	FY09	FY10	FY11E	FY12E	FY13E
Share Capital	2,198	2,198	2,198	2,385	2,385	2,385	2,385
Reserves & Surplus	12,907	16,119	18,570	30,316	40,560	50,242	58,739
Total Shareholders Equity	15,105	18,317	20,976	33,448	42,945	52,627	61,125
Total Debt	17,099	31,650	55,970	83,614	175,152	245,384	315,091
Deferred Tax Liab.(net)/Minority	3,856	5,777	7,208	8,111	8,623	9,302	11,587
Total Liabilities	**36,059**	**55,744**	**84,153**	**125,173**	**226,720**	**307,313**	**387,803**
Net Block	13,432	13,923	16,252	50,777	105,857	152,824	236,606
Capital Work in Progress	9,443	19,565	29,094	13,278	57,998	82,704	62,516
Investments	6,029	6,966	9,837	20,229	22,471	22,989	21,222
Others	1,515	3,560	8,793	5,959	2,500	2,500	2,500
Total Current Assets	17,174	38,769	51,509	70,039	80,329	92,683	112,933
Total Current Liabilities	11,534	27,039	31,331	35,110	42,435	46,387	47,974
Net Current Assets	5,640	11,730	20,178	34,929	37,894	46,296	64,959
Total Assets	**36,059**	**55,744**	**84,153**	**125,173**	**226,720**	**307,313**	**387,803**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e March	FY07	FY08	FY09	FY10	FY11E	FY12E	FY13E
Net cash from operations	5,179	5,622	4,524	4,969	39,040	35,885	39,776
Net cash from investment	(38,254)	(20,606)	(30,911)	(43,654)	(121,298)	(97,231)	(96,171)
Net CF from financing	37,712	17,344	28,881	38,409	85,150	62,326	63,170
Net cash increase/(dec)	4,637	2,361	2,493	(276)	2,893	980	6,775
Cash at the beginning of the year	414	5,050	7,411	9,905	9,628	12,520	13,500
Cash at the end of the year	5,050	7,411	9,905	9,628	12,520	13,500	20,275

Source: Company Data, PL Research

Key Ratios

Y/e March	FY07	FY08	FY09	FY10	FY11E	FY12E	FY13E
Asset Based Ratios (%)							
RoCE	16.7	11.9	6.5	7.7	9.4	6.3	4.9
RoE	23.4	21.2	14.3	16.9	26.6	20.7	15.4
Growth Ratios (%)							
Sales	-	103.3	85.3	33.7	26.9	21.2	21.1
EBITDA	-	71.3	17.8	76.2	126.7	16.8	22.5
PAT	-	88.4	(20.8)	63.6	121.8	(2.7)	0.2
EPS	54.2	88.4	(20.9)	50.7	121.8	(2.7)	0.2
Balance Sheet Ratios							
Net Debt : Equity (x)	0.8	1.3	2.2	2.2	3.8	4.4	4.6
Debtor (Days)	62	82	73	101	84	81	76
Creditor(Days)	372	409	229	202	235	210	181
Fixed Asset Turnover (x)	0.8	1.6	2.5	1.3	0.8	0.6	0.5
Per Share (Rs)							
EPS	0.9	1.6	1.3	1.9	4.3	4.1	4.2
BV	6.9	8.3	9.5	14.0	18.0	22.1	25.6
CEPS	1.2	2.0	2.3	3.4	8.9	11.1	14.3
Margins (%)							
Gross	29.6	26.5	18.3	23.4	37.3	36.6	37.8
EBITDA	25.6	21.6	13.7	18.1	32.3	31.1	31.5
PBT Margin (%)	19.6	19.3	9.2	11.6	16.7	11.4	8.4
PAT	11.8	10.9	4.7	5.7	10.0	8.0	6.6
Valuations (x)							
P/E	79.4	42.1	53.2	35.3	15.9	16.4	18.5
P/BV	9.9	8.1	7.1	4.8	3.8	3.1	2.6
P/CEPS	58.9	34.6	29.9	19.9	7.6	6.1	4.9
EV/EBITDA	39.5	24.8	23.7	16.3	9.9	10.2	9.4
EV/Sales	10.1	5.4	3.3	2.9	3.2	3.2	3.0
Market Cap/Sales	10.2	5.0	2.7	2.0	1.6	1.3	1.1

Source: Company Data, PL Research

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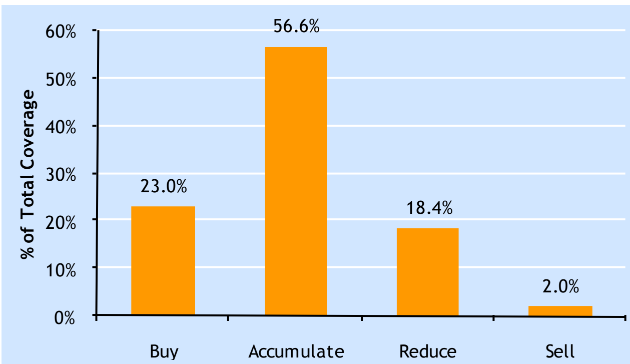

PL's Recommendation Nomenclature

BUY	:	Over 15% Outperformance to Sensex over 12-months	**Accumulate**	:	Outperformance to Sensex over 12-months
Reduce	:	Underperformance to Sensex over 12-months	**Sell**	:	Over 15% underperformance to Sensex over 12-months
Trading Buy	:	Over 10% absolute upside in 1-month	**Trading Sell**	:	Over 10% absolute decline in 1-month
Not Rated (NR)	:	No specific call on the stock	**Under Review (UR)**	:	Rating likely to change shortly

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