

## Jaiprakash Hydro-Power (JAIHYD)

### COMPANY UPDATE ✓

#### WHAT'S CHANGED...

PRICE TARGET.....	Changed (Target achieved)
EPS (FY08E).....	Unchanged (Rs 2.89)
EPS (FY09E).....	Unchanged (Rs 3.72)
RATING.....	Changed (Outperformer to Book Profit)

Current price  
Rs 128

### BOOK PROFITS

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## Steady growth ...

Jaiprakash Hydro-Power Ltd (JHPL) is part of the Jaypee Group and was formed to implement the 300-MW Baspa-II hydro electric power plant in Kinnur, Himachal Pradesh. During Q2FY08, the company's net profit rose 104.8% to Rs 127.21 crore on a 4% rise in sales to Rs 118.40 crore. Other income was boosted as the company received Rs 55 crore as insurance damages (power generation was affected on account of floods in FY06 and FY07) and refund from tariff readjustments.

The company expects to generate an aggregate saleable energy of 1,141.7 million units (MU) in FY09E against 1,028.5 MU in FY06. We expect a 8.7% CAGR in net sales over FY06-09E to Rs 378.83 crore from Rs 294.17 crore. Net profit is expected to grow to Rs 182.51 crore in FY09E from Rs 78.77 crore in FY06 on account of lower interest cost. RoNW should improve to 21.3% in FY09E (11.6% in FY06).

**Recent developments:** JHPL plans to form a joint venture company, Jaypee Powergrid Ltd, with Power Grid Corporation of India (PGCIL). The JV will set up the transmission system for the 1,000-MW Karcham Wangtoo Hydroelectric Project in Himachal Pradesh. Jaypee Karcham Hydro Corporation Ltd, a subsidiary of Jaiprakash Associates, will execute the project. JHPL will hold 74% of the equity and the remaining 26% will be held by PGCIL. We have valued the venture at Rs 16 per share for Jaiprakash Hydro-Power.

**Outlook:** Currently, India depends heavily on coal-based thermal energy, with hydropower accounting for only 26%. The government has set a target for an optimum power system mix of 40% from hydropower and 60% from other sources.

**Valuations:** At the current price of Rs 128, the stock is trading at 34.43x FY09 earnings, 25.50x FY09 EV/EBITDA and 7.4x FY09 P/BV. We believe the stock is fairly valued at the current price factoring its business model and steady cash flows. We advise investor to book profits.

Key Financials	(Rs crore)			
	Year ending March 31	Q2FY08	Q2FY07	% change
Sales	118.40	113.84	4.01	
Other Income	61.36	0.24		
Total Expenditure	5.41	6.40	-15.5	
EBIDTA	174.35	107.68	61.9	
Interest	26.17	26.16		
Depreciation	11.60	11.54		
PBT	136.58	69.98		
Tax	9.37	7.87		
PAT	127.21	62.11	104.8	
EPS	2.59	1.26		

Source: Company, ICICIdirect Research

## **RATING RATIONALE**

ICICIdirect endeavours to provide objective opinions and recommendations. ICICIdirect assigns ratings to its stocks according to their notional target price vs current market price and then categorises them as Outperformer, Performer, Hold, and Underperformer. The performance horizon is 2 years unless specified and the notional target price is defined as the analysts' valuation for a stock.

**Outperformer:** 20% or more;

**Performer:** Between 10% and 20%;

**Hold:**  $\pm 10\%$  return;

**Underperformer:** -10% or more.

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