

JSW Energy | JSW IN

Milking early entrant benefit

- High execution visibility; established track-record:** JSW Energy (JSWEL), a part of US\$8bn JSW group led by Sajjan Jindal, is an established power generation company with >9 years of operational track record. It has 995MW operational thermal power capacity as of FY10 and is expected to add 2,145MW in FY11 to hike capacity to 3,140MW. It has further pipeline of 8.0GW that will enhance capacities to 11.4GW over FY14-16.
- Highly front-loaded merchant capacities** will capture optimal benefits of high merchant prices over the next 3-4 yrs. It will have merchant capacity of 1,160MW (37% of total) by FY12E and 1,670MW (49% of total) by FY14E being one of the largest private players (IPP) in merchant space.
- Leveraging its project execution and O&M capabilities:** JSWEL is an established player in the project execution and operation & maintenance (O&M) of TPPs. The team has earlier installed and operated power projects for JSW Steel and has been running the plants efficiently (savings in heat rate).
- 3.2GW of 8GW pipeline turning to reality, Ratnagiri-II delayed:** JSWEL has advanced its ~ 8GW pipeline by taking small steps towards- **a)** 240MW Kutehr (Env clearances), **b)** 1.32GW Chhattisgarh (captive coal mine, ToR and site clearance) and **c)** 1.6GW West Bengal (coal agreements from State mines), and is likely to order BTG equipments in FY11E. But 3.2GW Ratnagiri-II faced a setback, as further 1-year of environmental studies will be required after completion of Ratnagiri-I and may be delayed by 1-2 years.
- Initiate with BUY on TP of Rs136:** Superior capacity ramp-up (3x by FY11-12 from FY10) is likely to result in profits CAGR of 84% over FY10-12E, with sales CAGR of 96% as it maintains attractive returns profile with c.40% merchant sales. We value JSWEL on SOP TP of Rs136 (Mar'11), valuing operational and under-construction projects at 12-14% CoE, and under-development projects with 16-18% CoE and 0.2-0.5x progress ratio. Initiate with BUY.
- Risks:** JSWEL is exposed to volatility in spot coal prices, US\$5/MT variation in coal prices change TP by 2%, and merchant tariffs, 50p variation in merchant tariff result in 5% variation in TP. 5% variation in PLF can alter TP by 5-6%.

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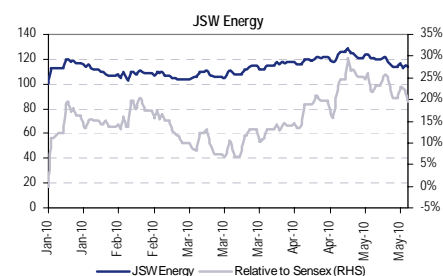
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Key Data

Market cap (bn)	Rs 187.4 / US\$ 4.0
Shares in issue (mn)	1,640.1
Diluted share (mn)	1,640.1
3-mon avg daily val (mn)	Rs 414.9 / US\$ 8.8
52-week range	131.5 / 99.9
Sensex/Nifty (27-05-10)	16,666/5,003
Rs/US\$	47.3

Daily Performance



%	1M	3M	12M
Absolute	-3.6	10.9	NA
Relative*	4.0	11.2	NA

* To the BSE Sensex

Shareholding Pattern	(%)	
	4Q10	4Q09
Promoters	76.7	100.0
FII	4.8	0.0
DII	7.5	0.0
Public / others	10.9	0.0

Exhibit 1: Financial Summary

(Rs mn)

Y/E March	FY08	FY09	FY10	FY11E	FY12E
Net sales	12,931	18,350	23,551	57,592	90,755
Sales growth (%)		41.9	28.3	144.5	57.6
EBITDA	8,765	5,319	12,135	29,763	46,580
EBITDA (%)	67.8	29.0	51.5	51.7	51.3
Adjusted net profit	6,253	2,767	7,455	17,027	25,284
EPS (Rs)	3.8	1.7	4.5	10.4	15.4
EPS growth (%)		-55.7	169.4	128.4	48.5
ROCE (%)	23.5	7.2	11.1	17.6	23.5
ROE (%)	62.8	22.4	23.8	31.1	35.2
PE (x)	26.2	59.3	25.1	11.0	7.4
Price/Book value (x)	16.5	11.1	3.9	3.0	2.3
EV/EBITDA (x)	20.9	41.3	20.1	8.8	5.3

Source: Company data, JM Financial. Note: Valuations as of 27 / 05 / 2010

 JM Financial Research is also available on:
 Bloomberg - JMFR <GO>, Thomson Publisher & Reuters.

Please see important disclosure at the end of the report

Merchant power scenario

Large merchant capacities being planned...: India is likely to add 8.5 GW merchant plants by FY12 and 14.5 GW by FY13, over and above c.30 GW expected from projects under consideration by MoP in the 11th FYP.

Exhibit 2. Company wise merchant capacity addition (MW)

MW	FY09	FY10E	FY11E	FY12E	FY13E	Remarks – additional plans beyond FY13
JSW Energy	260	560	1,160	1,160	1,430	8 GW planned by FY16
India Bulls	0	0	0	1,335	3,975	1.3 GW planned by FY14
Adani Power	0	330	330	1,850	1,850	3.3 GW planned
Lanco	0	666	366	366	366	152 MW by FY15; not considering Amarkantak
Sterlite	0	0	840	840	840	6 GW announced
GVK	0	93	93	93	93	370MW merchant by FY16
GMR	159	159	159	159	1,077	1 GW by FY15
Chg IPP	1,000	1,000	1,000	2,200	3,400	2.6 GW planned in Orissa
Tata Power	0	190	190	190	190	500 MW by FY14-15
Reliance Power	0	0	0	300	300	1,980 MW by FY14
NTPC	0	0	1,000	1,000	2,120	Nil
Torrent Power	0	322	322	322	322	Nil
Others	150	200	250	300	350	Captive plants, Shree Cement, Nav Bharat Ventures – assumed conservatively
Total Capacity Addition	1,569	3,520	5,710	10,115	16,313	
Incremental Addition	1,000	1,951	2,190	4,405	6,198	

Source: Companies, JM Financial

...may result in >10x increase in merchant power generation volumes: We expect IPPs to keep part of the capacity unallocated for selling in the merchant market. Based on the announcements, we may witness a staggering >10x increase in merchant power generation volumes by FY13 to 97BUs considering generation at 80% PLF. The short-term trading volumes are c.24BUs currently, out of which 10BUs have been conservatively estimated as merchant power generation. Exhibit 3 presents a snapshot of power generation capacity under construction in the private sector with merchant or unsold capacity.

Exhibit 3. Merchant power generation volumes (MUs)

	FY09	FY10E	FY11E	FY12E	FY13E
JSW Energy	1,259	3,086	5,191	8,367	8,730
India Bulls	-	-	-	4,485	17,841
Adani Power	-	2,138	1,695	5,149	20,719
Lanco	-	2,238	3,467	2,459	2,459
Sterlite	-	-	2,822	5,645	5,645
GVK	-	312	624	624	624
GMR	1,072	1,072	1,072	1,072	4,154
Chg IPP	6,720	6,720	6,720	10,752	18,815
Tata Power	-	638	1,277	1,277	1,277
Reliance Power	-	-	-	-	1,008
NTPC	-	-	3,360	6,720	10,483
Torrent Power	-	1,082	2,164	2,164	2,164
Others	1,008	1,176	1,512	1,848	2,184
Total	10,058	18,461	29,903	51,569	97,110

Source: Companies, JM Financial

Cost of power: India currently has huge differential in terms of electricity tariffs (see Exhibit 4), in view of high peaking power shortages.

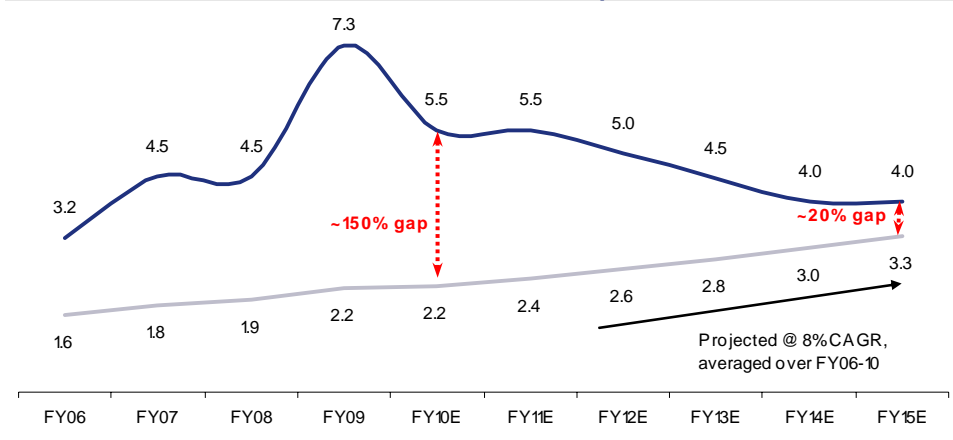
Exhibit 4. Electricity tariffs for regulated, competitive bids and merchant power (Rs/kWh)

	FY06	FY07	FY08	FY09	FY10E	CAGR
NTPC – ASP	1.63	1.81	1.94	2.20	2.22	8.0%
Case-1 bids	-	2.89 - Adani	-	2.35 - Adani	2.87 -GMR 3.24 - Adani 2.80 - Shapoorji	-
Peak Shortage	12.3%	13.8%	16.6%	12.0%	13.3%	-
ST tariffs	3.20	4.50	4.50	7.30	5.50	-

Source: CERC, Media, JM Financial

In FY10, difference between regulated business, viz., NTPC’s average tariffs and merchant tariffs was a staggering 150% (see Exhibit 5). We have considered a declining gap of c.20% by FY15 between merchant and regulated tariffs, as we increase regulated tariffs’ CAGR by 8%. NTPC’s tariff increased at 8.1% CAGR over FY06-10 on increasing cost of equipment and higher coal/gas prices.

Exhibit 5. NTPC tariffs vs merchant tariff assumptions (Rs/kWh)

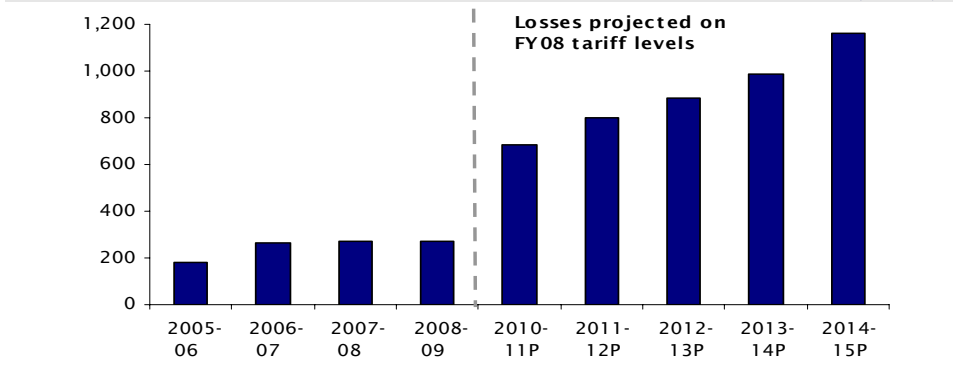


Source: NTPC, CERC, IEX, JM Financial

20% premium over regulated tariffs will be justified for risks assumed for merchant power sale

SEB losses mounting, tariff increases imminent: The Finance Commission predicts mounting losses for SEBs on increasing power costs if end consumer tariffs are not hiked (see Exhibit 6). Many states have introduced Time of Day tariffs, thereby charging differential (higher) tariffs for peak hours to recoup losses.

Exhibit 6. SEB losses (Rs bn)



Source: Finance Commission, JM Financial

SEB losses may widen further, if consumer tariffs aren't hiked

JSW Energy – early entrant to merchant power

JSW Energy, a Sajjan Jindal group company, was incorporated in 1994 as Jindal Tractabel Power Company with a 50:50 JV between JSW Steel and Tractabel, SA, Belgium. Tractabel later sold out its share, and after restructuring, the company was finally renamed JSW Energy. It had set up its first 2x130 MW TPP in Bellary, Karnataka in 2000. The plant operates on a part-merchant basis with peak realization of Rs6/kWh in FY09. Other projects with brief description are presented in Exhibit 7.

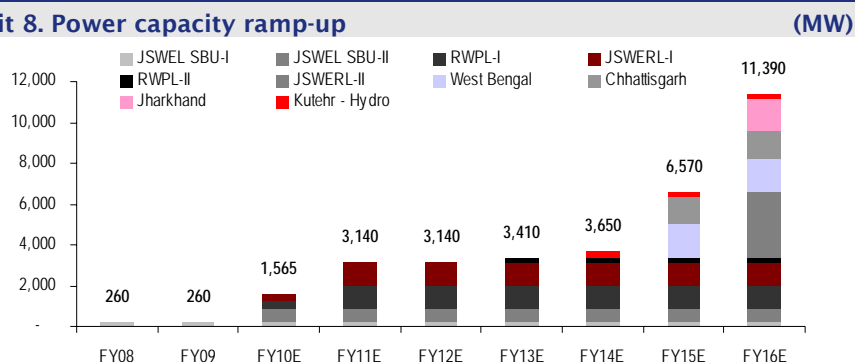
Exhibit 7. Power generation projects

	MW	State	Type	Prj. Cost (Rs mn)	DER	Holding	Expected Off-take	Status	Scheduled COD
JSWEL-SBU I	260	Karnataka	Imp coal	11,040	75:25	100%	100% on merchant basis from FY10	Operational	Operational
JSWEL-SBU II	600	Karnataka	Imp coal	18,600	75:25	100%	306 MW PPA with JSWSL, JSWCL; 294MW merchant	Partly commissioned	Apr, Sep'09
JSWERL, Ratnagiri	1,200	Maharashtra	Imp coal	49,600	75:25	100%	300MW PPA with MSEDCL, 300MW with AEL Trading, 600MW merchant	Under construction	Jan, Apr, Jul, Oct'10
RWPL, Raj West Power Ltd, Barmer	1,080	Rajasthan	Lignite/Imp coal	51,840	75:25	98%	100% on regulated returns	Under construction	Sep'09-Oct'10
RWPL-II, Barmer	270	Rajasthan	Lignite/mp coal	13,500	75:25	100%	100% merchant	Coal mine allocated; EPC placed	Jan'13
Under Development									
Kutehr	240	HP	Hydro	19,152	57:43	100%	100% merchant	DPR under preparation	Sep-15
Salboni, WB	1,600	West Bengal	Dom Coal	76,800	75:25	74%	Regulated	MOU	Aug 2014
Raipur, Chhattisgarh	1,320	Chhattisgarh	Dom Coal	65,000	75:25	100%	35% regulated; balance merchant	MOU for 1,100 MW	Feb 2015
JSWERL II	3,200	Maharashtra	Imp coal	160,000	75:25	100%	NA	MOU	Apr 2015
Baranda, Jharkhand	1,620	Jharkhand	Dom Coal	79,380	75:25	100%	NA	MOU for 2,000 MW	Aug 2015
Total	11,390			528,472					

Source: Company, JM Financial

JSW Energy is on-track to be a 11,390MW power company by FY16 (see Exhibit 8), out of which 995MW is operational, 2,655MW is under construction and implementation, and the balance 7,740MW is under development and being pursued with respective states. The total planned/proposed capacity is expected to have a mix of 260MW operational capacities on gas/coal dual fuel-fired TPP, 240MW as HEP, 5,530MW as imported coal TPP and the balance 5,620MW as domestic coal based TPP.

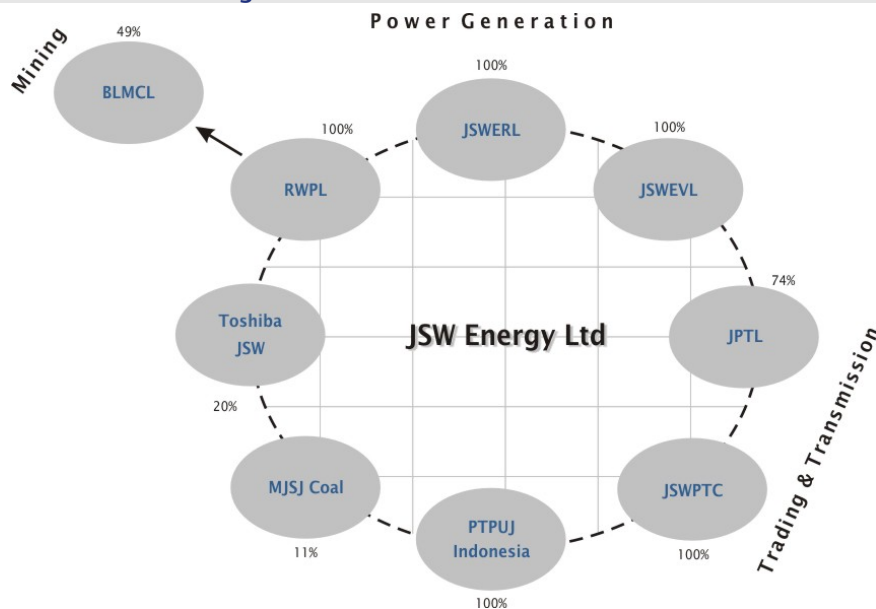
Exhibit 8. Power capacity ramp-up



Source: Company, JM Financial

The holding structure of JSW Energy is presented in Exhibit 9.

Exhibit 9. Shareholding structure



Source: JM Financial

2,280MW under advanced stages of construction

Out of the total 2.6GW under construction for JSWEL, 2.1GW is under two plants namely, JSWERL (Ratnagiri) and Raj West Power Ltd Phase I (RWPL-I). These two projects with individual capacities of 1,200MW and 1,080MW respectively are under advanced stages of implementation. RWPL-I, having eight units of 135MW each, has one unit already commissioned and subsequent seven units are expected to be operational by Mar'11. JSWERL plant is a 4X300MW sub-critical plant and is expected to be up and running by Jan'11.

Exhibit 10. Status update for projects under construction

Project	Capacity (MW)	Commissioning		Broad Status	Critical Areas	
		Scheduled	As expected now			
RWPL (1,080MW)						
Unit 1	135	Operational	Operational	Commissioned on 16-Oct-2009		
Unit 2	135	Nov-09	Mar-10	Boiler drum lifted; Condenser erection in progress.		
Unit 3	135	Jan-10	Jun-10	Boiler drum lifted; boiler structure 86% complete. Water wall erection in progress.	Land acquisition for mining project still in process. Tapering Coal linkage allotted by CIL for blending with imported coal.	
Unit 4	135	Mar-10	Aug-10	Boiler drum lifted; Boiler structure erection 87% complete.		
Unit 5	135	Jul-10	Oct-10	Boiler drum lifted; Boiler structure work 86% complete.		
Unit 6	135	Aug-10	Dec-10	Boiler structure 81% complete. Chimney completed.		
Unit 7	135	Sep-10	Feb-11	Boiler structure work 12% complete. Common chimney with Unit 8 complete.		
Unit 8	135	Dec-10	Mar-11	Boiler structure work 11% complete. Common chimney with Unit 7 complete.		
JSWERL (1,200MW)						
Unit 1	300	Apr-10	Apr-10	Boiler hydro test complete; boiler drum lifted. TG erection started in Mar'09		No SEC (Chinese) supervision team available due to Visa issues. Slow progress of JPTL's Koyna Transmission line, now sorted.
Unit 2	300	Jun-10	Jul-10	Boiler hydro test complete; boiler drum lifted. TG erection started in May'09		
Unit 3	300	Aug-10	Oct-10	Boiler hydro test in Mar'10; boiler erection started. TG erection started in July'09		
Unit 4	300	Oct-10	Jan-11	Boiler hydro test complete; boiler erection started in Mar'09. TG piling completed		

Source: CEA, JM Financial

Major clearances in place

The company has made advances in most of the planned projects. It has achieved financial closure for 2,880MW, including that for JSWRL, JSWEL -SBU II and RWPL (see Exhibit 11) and are in advanced stages. Considering its strong execution capabilities and established track record, we believe the company will be well poised to benefit from the current demand- supply gap prevailing in the electricity space due to faster-ramp.

Financial closure achieved and construction initiated for 2,880MW projects

Exhibit 11. Status of project portfolio

	MW	Fuel	DPR/EIA	MOEF/PCB Clearance	Financial closure	Land	Off-take	Water	Expected CoD	Remarks
JSWEVL-SBU I	260	Available	Available	Available	Available	Available	20-30% PPA till FY10	Available	Operational	Operational
JSWEL-SBU II	600	Available	Available	Available	Done	Available	50% captive, 50% merchant	Available	Operational	Operational
JSWERL	1,200	Available	Available	Available	Done	Available	25% LT PPA with MSEDCL, 270MW 12years PPA with Adani @ Rs3/kWh minimum and 50% ST PPA	Available	Jan'11	Main contracts awarded, coal delivery contracts in place with Kawasaki Kisen Kaisha & Oldendorff Carriers
RWPL	1,080	Available	Available	Available	Done	Available	LT PPA with SEBs	Available	Feb'11	FSA with BLMCL (49% holding JV with RSMML)
Kutehr	240	NA	Available	Available	Available	In Progress	Merchant	Available	Sep-15	Awarded by GoHP on BOOT basis; expected by Sep'15
RWPL-II (Barmer)	270	Available#	Available	to be arranged	Revalidation awaited	Available	Merchant	Available	Feb'13	Application made to GoR for use of mines available for RWPL

Source: Company, JM Financial

Note: # excess lignite in allocated mines, but approvals required. We have used imported coal for modeling.

Diversified Business Model

Integrated across the value chain

Mining: The energy business of the company envisages presence across the entire value chain with power generation as its core operations. The company also holds 49% interest in a mining JV namely Balmer Lignite Mining Company (BLMCL) through its 100% SPV Raj West Power Ltd. (RWPL) with Rajasthan State Mining & Minerals (RSMML) holding 51%.

It has been allocated 11% interest in Utkal A - Gopalprasad West coal mines near Talcher, Orissa from the Ministry of Coal (MoC), and Government of India. The mining plan for 15MTPA has been approved by MoC.

Equipment manufacturing JV with Toshiba (20% holding): JSWEL signed a JV with JSWSL and Toshiba Corporation for manufacturing of sub-critical and super-critical steam turbines and generators in India and has already short listed land near Ennore Port in Tamil Nadu. It will cover 500MW sub-critical to 1,000MW supercritical TG sets. Toshiba will grant a license to transfer technology for the manufacture of steam turbines and generators to Toshiba JSW for domestic sale. The JV will invest Rs7bn within 3 years and Rs8 bn within 5 years.

Power trading: It has forayed into power trading through its 100% subsidiary JSW Power Trading Company (JSWPPTC), with traded volumes of 2.05 BUs in FY09 and 1.5 BUs in FY08, poised to grow substantially in future. Forward integration in power trading would help it source customers for its large pool of merchant power.

Transmission: The company has a 74:26 JV with MSETCL, namely Jaigad Power Transco (JPTL) for carrying out all transmission related activities. Jaigad Power Transco's maiden project is 2 nos. 400kV double circuit quad moose transmission lines in Maharashtra.

Presence across all allied businesses to support operations and smooth execution

O&M / project management: It has skilled manpower and expertise in O&M of thermal power plants as it manages operations of JSWSL’s captive unit of 230 MW at Karnataka and implemented 5 power projects with more than 850 MW combined capacity, such as JSWSL’s 100 MW combined gas fired power plant at Karnataka and JSWSL’s 130 MW coke oven heat recovery based power plant at Karnataka. Thus, it has sufficient capabilities to cater to end-to-end needs in the power segment.

Exhibit 12. End-to-end presence across the value chain



Source: Company, JM Financial

Group company has port infrastructure to facilitate import of coal

JSWEL’s group company JSW Jaigarh Port (JSWJPL) will be constructing a port at the village of Jaigad in Maharashtra. The group’s ownership in port facilities should facilitate the import of equipments as well as coal by JSWEL to fuel its 1,320MW and 3,200MW expansion power plants. JSWEL entered into a MOA with JSWJPL in June’07 for use of a port facility in connection with the import of up to 4MTPA coal for supply to JSWEL plant for handling charges of Rs285/MT.

Groups’ port infrastructure could be readily availed for import of coal

Project management and O&M fare good business opportunity

Having had successful experience in project management, erection and commissioning and managing operations for its 260MW (2x130MW) thermal power plant in 2000 in Torangallu, Karnataka, JSW Energy has emerged as a strong player in the field. It has MoUs with many of its subsidiaries to render project management and O&M services that would earn substantial revenues for respective projects.

Strong core project team to set-up projects in-house

The company has successfully executed/is executing various contracts namely: a) implemented a 100MW combined gas fired power plant at Karnataka; b) contracted for a coke oven heat recovery based power plant with a power generation capacity of 130MW, at Karnataka; c) project implementation responsibility for a 2x30MW captive power plant at Salem in Tamil Nadu; d) constructing 600MW JSWEL SBU II, Vijaynagar (300MW commissioned), 1,200MW JSWEL, Ratnagiri and 1,080MW RWPL.

JSWEL has a strong core project team with core competencies in project cost control and practical project implementation insight through completed projects. The experienced management and internal control’s gives JSWEL a competitive advantage in the market place.

Diversified fuel mix for generation projects

Out of the total planned capacity, 260MW is gas/coal dual fuel-fired TPP, 240MW will be hydro; 5,620MW (49%) will be domestic coal based TPP and 5,530MW (c.49%) will be imported coal based TPP. Thus, the company mainly relies on its core competency, thermal power plants that account for 98% of its planned capacity. Imported coal tie-ups at competitive rates position JSWEL for generation on western coast and enable it to participate competitively in Case-1 bids.

JSWEL has, or is in the process of obtaining, a diverse basket of fuel reserves including blends from – **a)** lignite mines in Rajasthan; **b)** coal mines in Orissa; **c)** group companies' coal mines in West Bengal; **d)** imported coal tie-ups with Indonesian and Mozambique companies (see Exhibit 14).

Exhibit 14. Coal resources – tied-up and available to JSW group

Imported Coal	Tie-up (MTPA)	GCV (Kcal/kg)	Comments
Indonesia	2	5,000-5,500	Sungai Belati mines supplied 0.6MT in FY10 and will supply ~2MT from FY10 onwards.
South Africa	1	6,000- 6,200	Acquired SACMH in Apr'10 for total consideration of ~US\$50mn for 60MT resources/20MT mineable reserves
Mozambique	4-6	5,500-6,000	Tie-up with JSW Mozambique. To commence from June 2011 with 1 MTPA and increase to 6 MTPA by June 2013
Domestic Coal			
Orissa - Utkal-A & Gopalprasad (W)	1.65	NA	Jointly allotted by Ministry of Coal with 1.65mtpa share (11% of 15MTPA)
West Bengal - Sitrapur, and Gourangdih block	-	NA	'F' Grade , owned and to be mined by WBMDTC* and JSW group for Gourangdih
Rajasthan - Jalipa & Kapurdi	-	2,900-3,000	Linked along with RWPL, contract to be formalized with BLMCL

Source: Company, JM Financial

Fuel update: Recent spot fuel tie-ups are at \$95/MT FOB. The Indonesian mine will increase production to 150,000MT/month by June'10, leading to their initial guidance of 2mtpa supply, going forward. It also received 50% tapering coal linkage allocation (c.3.2mtpa) for RWPL.

Secured long-term shipping linkages at competitive rates

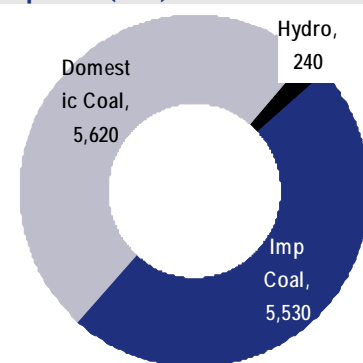
JSWEL has done long-term coal supply agreements with shipping companies to deliver imported coal at competitive prices. To diversify its risk, it has done agreements with two separate companies - Oldendorff, Germany and Kawasaki Kisen Kaisha (KKK), Tokyo Japan for 5 MTPA at a variable rate of US\$6.65-9.65 per MT, depending upon the port of discharge. The other contract is with KKK for 10 MTPA at US\$9.30 per MT (see Exhibit 15).

Exhibit 15. Shipping agreements for long-term fuel supply

	Rate per MT (US\$)	Tonnage (MTPA)	Contract period
Oldenhoff, Germany & Kawasaki Kisen Kaisha Ltd., Japan	6.65 - 9.65*	5	15 years starting mid-2009 and January 2010
Kawasaki Kisen Kaisha Ltd., Japan	9.30*	10	10 yrs starting 2012e

Source: Company, JM Financial

Exhibit 13. Diversified fuel mix proposed (MW)



Source: Company, JM Financial; considering 270 MW RWPL-II on imported coal

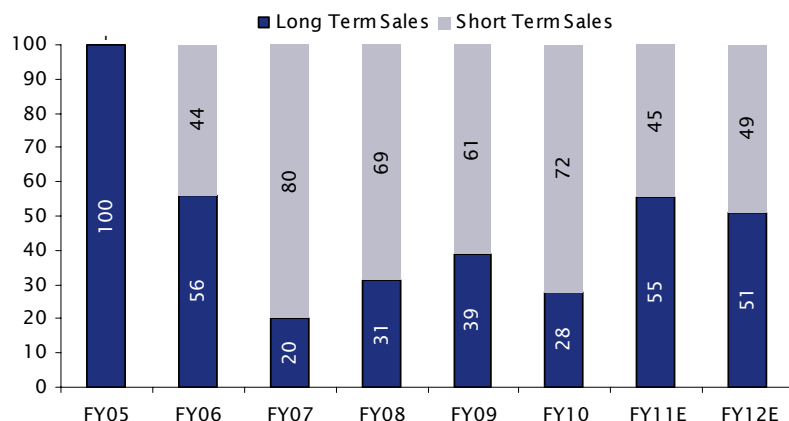
Indonesian coal priced at \$35/MT FOB, variable with RB Index moving above contracted dates

Competitive shipping arrangements to discharge coal at various port locations

Front-ended open capacities, option to tie-up later

JSWEL has exposure to ST merchant sales, earlier than other entrants (see Exhibit 16). Upcoming capacities have fair proportion of ST -sale option, 75% for JSWEL-I (Ratnagiri). While the company may benefit in initial years, it is not closed to the idea of LT PPAs at a later date.

Exhibit 16. Sales break up in terms of ST and LT (%)



Source: Company, JM Financial

Fuel tie-up is the key for under-development projects

Exhibit 17. Power projects under development

	MW	Type	Prj. Cost (Rs mn)	State	Company's COD
Ratnagiri-II	3,200	Imp Coal	150,000	Maharashtra	Apr'15
Raipur	1,320	Dom Coal	65,000	Chhattisgarh	July-Nov'14
Salboni CPP	1,600	Dom coal	76,800	West Bengal	Aug'14
Baranda	1,620	Dom coal	79,380	Jharkhand	Aug'15
Total	7,740		380,860		

Source: Company, JM Financial

Sturdy portfolio of projects to expand its footprint in the country

We expect Ratnagiri-II to get delayed/ size reduction due to environmental concerns

JSWEL is exploring new opportunities and/or bidding for new projects across India, including raising capacities at existing facilities, viz., Maharashtra. The proposed project totals up to 7.7GW and has advantage of partial/full fuel tie-ups, associated coal mines, etc. Although the projects are in nascent stages, the company is actively pursuing the projects with respective State Governments.

Exhibit 18. Salient features for projects under development

Proposed	MW	Fuel	DPR/EIA	Land	Off-take*
Maharashtra	3,200	Purchase contract with Indonesian coal mine Sungai Belati & JSW Mozambique	Completed	Partly available	NA
Chhattisgarh	1,320	11% interest in Utkal A Gopalprasad mines , Orissa. JSW steel also has 11% interest. O/C mines with 673MT reserves. Production to commence from FY12-13	In Progress	Identified	5-30% (RoFR) to Chhattisgarh state, balance merchant
West Bengal	1,600	Allotted captive coal blocks of Gourangdih ABC coal block . UG mine with estimated reserves of 1BT	Completed	Acquired	100% captive use or under LT PPA to WB
Jharkhand	1,620	Applied for coal linkage	In Progress	Identifying	MoU with GoJ for 25%, balance merchant

Source: Company, JM Financial

Valuation & Risks

Initiating coverage with a BUY; SOP target price of Rs136

We reckon DCF to equity is appropriate to value JSWEL as it is growing 3x in next 3 years and hence, earnings trajectory vary over the years, leading to c.41% CAGR over FY10-13E. We prefer relative valuation multiples for stable earnings.

Our SOP valuation target of Rs136 (see Exhibit 19) is majorly driven from projects under operation / construction (valued with 12-14% CoE), and Rs13 contributed from projects under-development with 0.25-0.5 project progress probability and 16-18% cost of equity depending on project related risk profile. These projects (Hydro, Salboni and Raipur) are likely to place orders in FY11 and have fuel security. We initiate coverage on JSWEL with a SOP based target of Rs136 for Mar'11.

We have not assigned any value to Ratnagiri-II and Jharkhand projects, while assigning partial (25-50%) for implementation projects that will achieve major milestones in FY11

JSWEL trades at 7.4x FY12E EPS and 2.3x FY12E BV, and it would trade at 2.7x FY12E BV on our TP. Peer IPPs trade at c.2.8-3.0x FY12E BV with RoEs of c.25-30%. JSWEL, with healthy RoEs of 29-30%, should therefore trade inline with other IPPs. Well run profitable/ operational assets, merchant upsides, and lower execution risk along with near term visibility are key reasons for our BUY rating.

Exhibit 19. SOP Valuation

	MW	Type	Prj. Cost (Rs mn)	Equity invested till FY10	Holding	Project Progress probability	DCFE (Rs mn)	JSWEL Equity value (Rs bn)	Per Share (Rs)	COE (%)
Projects under construction										
JSWEL-I	260	Imp coal	11,040	2760	100%	1.00	17,913	17.9	11	12.0%
JSWEL-II	600	Imp coal	18,600	4650	100%	1.00	55,417	55.4	34	12.0%
JSWERL	1,200	Imp coal	49,600	12400	100%	1.00	65,314	65.3	40	12.0%
RWPL	1,080	Lignite/ Imp coal	51,840	12960	98%	1.00	36,268	35.5	22	12.0%
RWPL II	270	Imp coal	13,500	3375	100%	1.00	10,176	10.2	6	14.0%
Add: Cash for FY10							16,379	16.4	10	
Sub-total	3,410		144,580	36,145			201,467	200.7	122	
Projects under implementation										
Kutehr	240	Hydro	19,152	890	100%	0.25	3,736	0.9	1	18.0%
Salboni, WB	1,600	Dom Coal	76,800	0	74%	0.50	26,261	9.7	6	16.0%
Raipur, Chhattisgarh	1,320	Dom Coal	65,000	195	100%	0.25	45,010	11.3	7	18.0%
JSWERL II	3,200	Imp coal	160,000	0	100%	0.00	-	-	-	-
Baranda, Jharkhand	1,620	Dom Coal	79,380	0	100%	0.00	-	-	-	-
Sub-total	7,980		400,332	1,085			75,007	21.9	13	
ToTal	11,390		544,912	37,230			276,475	222.6	136	

Source: JM Financial

Our estimates 1-10% higher than consensus

Our estimates are 9-11% higher on sales and 1-10% higher on profits for JSW Energy. We think street has been conservative in terms of volume assumptions. We take confidence in higher PLF assumptions as JSWEL's plant size is relatively small, power shortages are likely to continue at least till FY13-14E and it has achieved 100% PLF at Vijaynagar; and 94% at SBU-II in the 1st year of operation.

Exhibit 20. Estimates comparison

	Sales		PAT	
	FY11E	FY12E	FY11E	FY12E
JMFe	57,592	90,755	17,027	25,284
Consensus Mean	52,987	82,053	15,481	25,130
% variance	9%	11%	10%	1%

Source: Bloomberg, JM Financial

Consolidated cash flow valuation: Alternatively, we have also used consolidated company cash flow to equity shareholders, discounted with a 12.5% cost of equity and a terminal growth of 4%, to get a target of Rs132 for JSWEL. TG is higher than peers as we consider just 3,410MW projects that are under-construction, while we capture valuation upsides from 7,980MW projects in pipeline from the terminal growth and its equity capex in terminal year.

Exhibit 21. DCF valuation (consolidated)							(Rs mn)
	FY10	FY11E	FY12E	FY13E	FY14E	FY15E	FY16E
PAT after minority	6,818	15,915	23,682	19,492	17,526	17,939	19,167
Add: Depreciation	1,361	3,905	6,746	6,746	7,459	7,459	7,209
Less: Inc in WC	2,459	-3,178	-2,803	507	159	-116	-160
Less: Capex	-25,348	-35,414	-5,400	-3,432	0	0	-1,535
Add: Debt / (Repayment)	15,870	24,136	1,589	-4,241	-7,406	-6,499	-6,429
FCFE	1,160	5,364	23,814	19,071	17,738	18,783	18,253
COE	-	1.00	0.89	0.79	0.70	0.62	0.55
PV	-	5,364	21,168	15,069	12,458	11,726	10,129
Terminal growth	4%						
Terminal Value	123,934						
PV of cash flows	75,915						
Add: Cash as of FY10	16,379						
Equity Value	216,228						
Per share value (Rs)	132						

Source: JM Financial

Underlying assumptions

We have assumed merchant rates at Rs5.5/kWh for FY11E while Rs5.0 and Rs4.5/kWh for FY12E and FY13E, whereon we expect steady rate till FY15E and cost inflation of 3% from FY16E, lower than average tariff increase of 8% for NTPC over FY06-10.

Other assumptions are presented in Exhibit 22.

Exhibit 22. Modeling assumptions		
Parameter	Rate	Remarks
Cost of equity	12.5%	Risk -free rate (7.5%), Beta (0.8), Risk premium (6.5%)
Terminal Growth	4%	-
PLF	85%	Higher in initial years due to energy shortages
Merchant tariff	5.5	Reduced 50p/kWh every year till FY14; Rs4 from FY14-15; 3% escalation FY15 onwards
Imported coal FOB - Contract	35.00	3% pa escalation thereafter
Imported coal FOB - Spot	85.0	6500 Kcal coal from SA
INR/USD	45.00	-
GCV imported coal - Contract	4,500	As per RERC filing
GCV imported coal - Spot	6,200	As per the company
Cost of Debt	11.5%	-

Source: JM Financial

Project assumptions

Other project related assumptions are presented in Exhibit 23.

Exhibit 23. Operational and financial assumptions

Parameters	Unit	JSWEL-SBU I	JSWEL-SBU II	JSWERL-I	RWPL I	RWPL II
Configuration		2x130	2x300	4x300	8x135	2x135
Plant capacity	MW	260	600	1,200	1,080	270
COD 1st Unit	Date	1-Apr-00	1-Apr-09	1-Jun-10	1-Jun-10	1-Apr-13
COD 2nd Unit		1-Apr-00	1-Dec-09	1-Sep-10	1-Sep-10	1-Jul-13
COD 3rd Unit		-	-	1-Dec-10	1-Dec-10	-
COD 4th Unit		-	-	1-Mar-11	1-Mar-11	-
PPA	MW	52	300	600	1,080	-
	Mn units	433	2,418	4,468	7,569	-
Project Cost	Rs mn	11,040	18,600	49,600	51,840	13,500
Project Cost	Per MW	42.46	31.00	41.33	48.00	50.00
D:E ratio		2,760	4,650	12,400	12,960	3,838
Operational Parameters						
LT PLF	%	95%	92%	85%	80%	85%
Aux Consumption	%	7.5%	7.5%	7.5%	9.5%	9.5%
Gross Generation	Mil. Units	2,164	4,836	8,935	7,569	2,010
Net generation	Mil. Units	2,001	4,473	8,265	6,850	1,819
Gross Calorific Value	kcal/kg	5,000	5,462	5,462	2,960	5,462
Plant Gross Heat Rate	kcal/kwh	2,307	2,219	2,219	2,592	2,399
Coal Consumption per kWh	kg/kwh	0.4614	0.4063	0.4063	0.8756	0.4393
Cost of Coal at origin (CIF)	USD /Ton	95.30	88.59	79.43	811.65	47.43
Freight Cost (inland)	Rs/ Ton	721			0	1,043
Total Coal Cost	Rs/ Ton	5,009.5	3,986.5	3,574.5	811.7	3,177.6
Remarks		Spot Coal	Blended Spot and Indonesian coal	Blended Spot and Indonesian coal	Tapering linkage and lignite	Indonesian Coal

Source: JM Financial; *Rs/MT for lignite cost delivered at site as per RERC.

Sensitivity analysis

Our target value is highly sensitive to PLF, CoE, coal prices, merchant tariff assumptions as well as coal pricing. Sensitivities have been presented over Exhibit 24-26.

Merchant Tariff & PLF: We have assumed Rs5.5/kWh as our merchant tariff (for FY11) while LT PLF is assumed at 85%. 5% increase in load factor increased the SOTP by c.5% while a 50p/kWh variation in merchant tariff changes our target price by 5%.

Exhibit 24. TP Sensitivity to Merchant tariff and PLF assumptions

		Merchant Tariff (Rs/kWh)				
		5.00	5.25	5.50	5.75	6.00
PLF (%)	75%	112	115	118	121	124
	80%	121	124	127	130	133
	85%	129	133	136	139	143
	90%	136	140	143	147	150
	95%	144	147	151	155	158

Source: JM Financial

Imported coal spot pricing and merchant tariff: In our estimates, we have assumed US\$85/MT as spot FOB prices for imported coal supplies. Variation of US\$5/MT in our assumptions varies the target price by c.2%.

Exhibit 25. TP Sensitivity to imported coal spot pricing assumptions and merchant tariff

		Imported Coal-FOB Spot (US\$/MT)				
		75	80	85	90	95
Merchant Tariff (Rs/kWh)	5.00	134	132	129	127	124
	5.25	137	135	133	130	127
	5.50	140	138	136	133	131
	5.75	144	142	139	137	134
	6.00	147	145	143	140	137

Source: JM Financial

Imported coal contract FoB pricing and CoE: We have assumed US\$35/MT as cost (FOB prices) for imported coal contracts while CoE has been taken at 13%, in line with other utilities in our universe. Variation of US\$5/MT in our assumption of contract pricing varies the target price by 1% and a 50bps decrease in cost of equity increases the TP by 4%.

Exhibit 26. TP Sensitivity to imported coal pricing (contract) and CoE assumptions

		Imported Coal-FOB Contract (US\$/MT)				
		30	35	40	45	50
CoE	12.0%	148	146	144	143	141
	12.5%	143	141	139	137	136
	13.0%	138	136	134	133	131
	13.5%	133	131	130	128	126
	14.0%	128	127	125	124	122

Source: JM Financial

Peer valuation comps

Exhibit 27. Valuation Comps

		JSW Energy*	ADANI POWER NTPC	TATA POWER	NTPC	REL POWER	JPVL	KEPCO	CLP HLDGS	HUANENG	DATANG INTL
Y/E		March	March	March	March	March	March	Dec	Dec	Dec	Dec
Currency		INR	INR	INR	INR	INR	INR	KRW	HKD	HKD	HKD
M Cap (US\$ bn)		4.0	5.3	6.3	34.4	7.8	2.8	16.7	16.9	10.0	11.3
P/E (x)	FY10E	24.5x	148.9x	19.2x	16.5x	65.9x	48.5x	14.3x	15.1x	3.3x	5.8x
	FY11E	11.0x	29.4x	16.4x	14.7x	55.6x	59.1x	9.7x	14.4x	2.8x	4.1x
	FY12E	7.4x	9.1x	12.3x	13.7x	30.4x	21.3x	7.2x	14.0x	2.6x	3.1x
EV/EBITDA (x)	FY10E	20.0x	122.5x	11.2x	11.5x	50.4x	21.9x	8.7x	11.4x	10.3x	14.4x
	FY11E	8.3x	19.2x	9.9x	9.7x	23.3x	20.9x	7.2x	11.0x	9.2x	12.0x
	FY12E	5.3x	5.8x	7.7x	8.1x	8.7x	20.9x	6.9x	10.7x	8.4x	9.7x
P/BV (x)	FY10E	3.9x	9.4x	2.7x	2.4x	2.5x	2.2x	0.5x	1.9x	1.0x	1.1x
	FY11E	3.0x	3.9x	2.4x	2.1x	2.4x	1.9x	0.4x	1.8x	1.0x	1.1x
	FY12E	2.3x	2.8x	2.1x	1.9x	2.0x	1.8x	0.4x	1.7x	0.9x	1.0x
RoE (%)	FY10E	15.9	(0.1)	15.1	15.1	4.6	5.9	3.5	12.6	8.8	5.8
	FY11E	27.5	14.4	14.9	15.6	4.9	4.6	4.9	12.8	9.8	7.9
	FY12E	30.7	34.9	18.2	15.4	7.3	13.5	6.4	12.6	10.1	10.1

Source: Bloomberg, JM Financial, *-JMFe, Valuation as on 27/05/2010

Risks

- Unforeseen execution delays:** IPPs in India have been facing an average 4-6 months delay for most projects under construction, mainly due to inordinate problems related to land acquisition, fuel sourcing and clearances through multifarious local bodies. We have factored in further 3-6 months delay in commissioning for all upcoming projects. However, if the plants get delayed beyond that, the estimates could be negatively impacted and hence may bear downside to our valuation. The delays may also result in cost overruns.

Exhibit 28. Project commissioning delays considered

Project	MW	JSWEL RHP estimates	Latest CoD Management assumption	Estimated CoD	Delay (months)
JSWERL	1200	Oct-10	Dec-10	Mar-11	3
RWPL	1080	Oct-10	Feb-11	Mar-11	1
RWPL-II (Barmer)	270	Jan-13	Jan-13	Mar-14	15

Source: RHP, Company, JM Financial

- Spike in international coal prices:** Though JSWEL has signed coal contracts for supply of coal from Indonesia, South Africa and Mozambique for c.40% of its requirement, it will be resorting to spot coal buying for as much as 50-60% imported coal requirement, thereby exposing it to vagaries in the spot coal market. Any adverse price movements to our assumptions may impact JSWEL's financial performance.

Financials

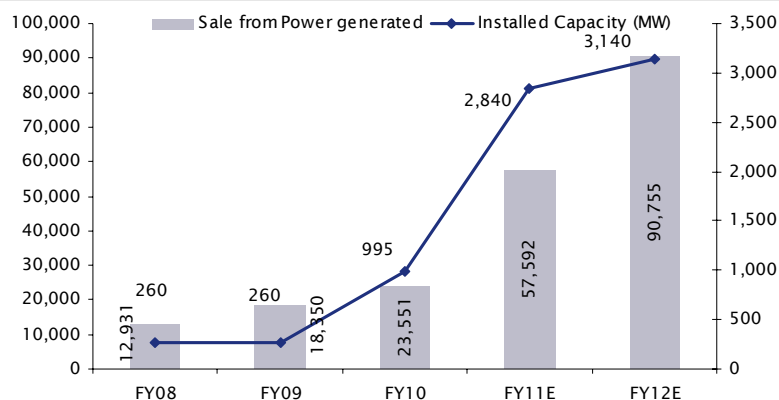
Quick ramp-up, strong merchant profile drives growth

JSWEL has been one of the early beneficiaries of the merchant power policy in India and post-its PPA expiry (in 2006) has sold 60-70% of its power from 260MW Vijaynagar plant on merchant basis. Going forward, the financial performance will be driven by capacity addition and also by demand-supply scenario as power volumes are inclined towards merchant sales.

With 995MW of operational capacity as of FY10 end, we expect major capacity ramp up to happen in FY11-12E (see Exhibit 29). We expect balance units of RWPL-I (7x135MW) and Ratnagiri (4x300MW) to be commissioned in FY11E, in line with the management guidance, but we have considered 1-3months of teething delays.

Considering 33% of total capacity to be sold as merchant power in FY11 and 40% in FY12 (vs 72% in FY10) at average rate of Rs5.5-5.0, sales are expected to register CAGR of 96% in the period FY10-12E to reach Rs90.8bn by FY12E.

Exhibit 29. Installed capacity (MW) vs sale from power generation (Rs mn)



Source: Company, JM Financial

The company delivered solid operational results in FY10 with c.100% and 94% PLF at two of its operational plants (see Exhibit 30) and hence we take comfort in higher volume assumptions. Our tariff estimates are marginally higher than FY10, due to better tariffs through Sec.11 sale in Karnataka in 1Q11 and better demand expectation due to overall economy pick-up, inline with merchant tariff assumption for other utilities.

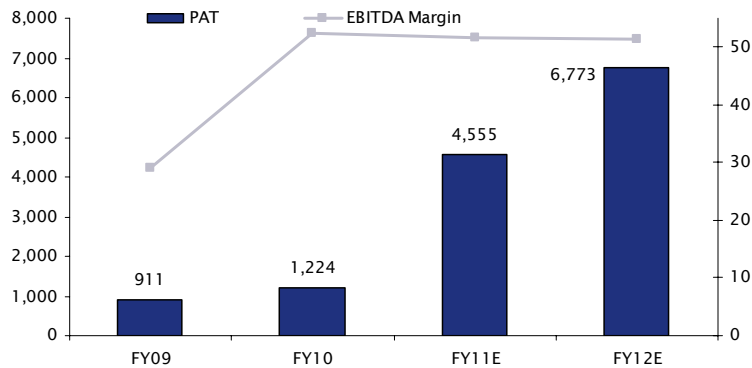
Exhibit 30. PLF (%) and tariff assumptions (Rs/kWh)

	FY09	FY10	FY11E	FY12E	FY13E
PLF					
Bellary	97%	100%	97%	96%	95%
Vijay-II	92%	94%	98%	97%	96%
JSWERL	0%	0%	85%	90%	89%
RWPL -I	0%	45%	80%	80%	80%
Average Tariff					
Bellary	5.2	4.9	5.5	5.0	4.5
Vijay-II	0.0	4.4	4.7	4.4	4.1
JSWERL	0.0	0.0	3.1	4.0	3.7
RWPL -I	0.0	4.1	3.6	3.6	3.4

Source: Company, JM Financial

EBITDA margins have been estimated to remain above 50% as they are currently, despite our higher coal price and lower merchant tariff assumptions. We estimate net earnings CAGR of 84.2% over FY10-FY12E.

Exhibit 31. Net income and operating margins



Source: Company, JM Financial

Exhibit 32. Project-wise profitability for FY12 (Rs mn)

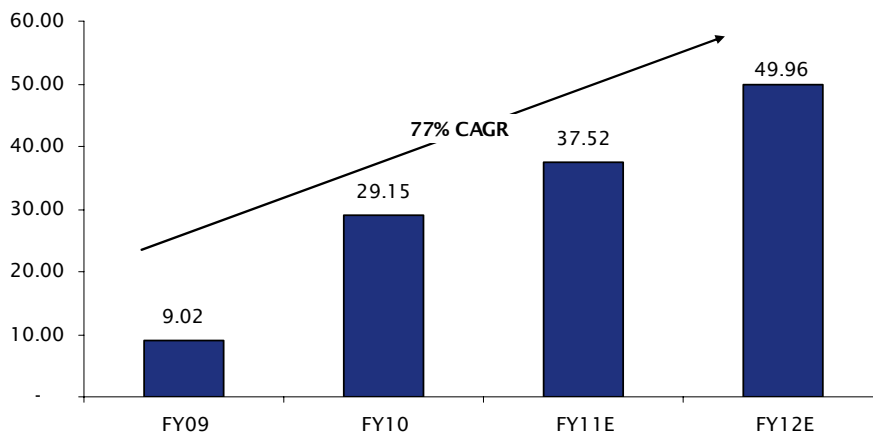
Project	MW	Sales	EBITDA	PAT
Vijaynagar-I	260	10,140	4,426	3,185
Vijaynagar-II	600	20,844	11,264	7,020
Ratnagiri - I	1,200	34,828	18,830	9,782
RWPL- I	1,080	24,735	12,551	4,448
Total Operational PAT	3,140	90,547	47,071	24,435

Source: JM Financial

Book value accretion at 77% CAGR

With 3,140MW of capacity to be operational by FY13 JSW Energy’s fuel requirements as a result will increase. JSWEL has optimal mix of imported coal and domestic coal supply agreements which will mitigate fuel supply risk.

Exhibit 33. Book value accretion



FY10 jump in BV due to Rs27bn IPO

Source: Company, JM Financial

Exhibit 34. Capex schedule assumptions**(Rs mn)**

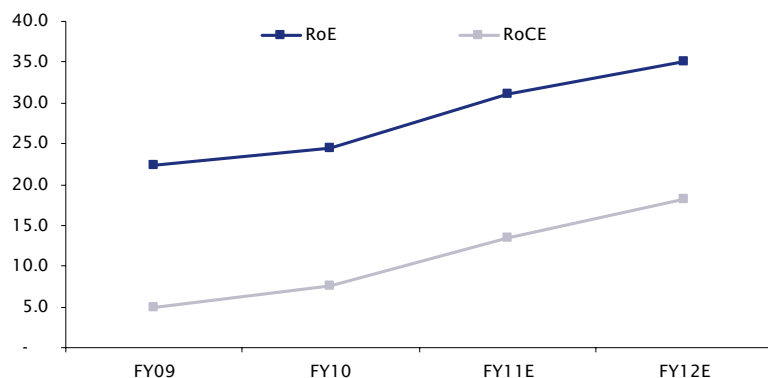
Fuel	Project	MW	FY 08	FY 09	FY 10	FY 11E	FY 12E	FY 13E	Sub Total
Imp coal	Vijaynagar	600	7,077	5,899	5,624	-	-	-	18,600
Imp coal	Ratnagiri	1,200	7,440	8,605	9,221	24,334	-	-	49,600
Lignite/ Imp coal	RWPL I	1,080	13,972	20,335	10,502	7,030	-	-	51,840
Lignite/ Imp coal	RWPL II	270	-	618	-	4,050	5,400	3,432	13,500
Total		3,410	28,489	35,457	38,348	22,414	5,400	3,432	133,540

Source: Company, JM Financial

High RoEs in next two years; to stabilise FY13E onwards

JSWEL reported lower RoE at 24.4% in FY10 due to IPO dilution. Going forward RoEs will still be high despite funds being deployed in under construction projects. In the next two years, we expect RoEs >30% as profitability improves due to capacity addition as well as merchant power rates. Going forward, as merchant power rates normalize, RoEs may also settle downwards at ~20% levels.

RoCE will start improving as capacity comes on stream and starts generating returns. It will appear lower in initial years as much capital will be employed in upcoming projects.

Exhibit 35. RoEs and RoCEs over FY09-FY13E

Source: Company, JM Financial

Fuel requirement to be 4x in 3 years to 1.5MT from 2.4MT in FY10

With 3,140MW of capacity to be operational by FY13, JSW Energy's fuel requirements will increase. JSWEL has optimal mix of imported coal and domestic coal supply agreements which will mitigate fuel supply risk. It has supply contracts from Indonesia and Mozambique, and has recently acquired a South - African mining company (see Exhibit 36).

We estimate 7.1MT of coal/lignite requirement in FY11E and with more and more capacity coming on-stream, the demand will increase to 14.2MT in FY14E.

Exhibit 36. Fuel requirement**(MT)**

	FY09	FY10	FY11E	FY12E	FY13E	FY14E
Total Coal/Lignite Requirement	1.0	2.4	7.1	11.5	12.1	14.2
Imported Coal	1.0	2.4	5.8	8.9	9.1	8.2
Domestic Coal (Tapering linkage)	-	-	1.3	2.6	-	-
Lignite	-	-	-	-	3.0	6.0

Source: Company, JM Financial

30-50% dependence on spot coal purchases

JSWEL has tied up for imported as well as domestic coal at competitive rates for ~50% of capacity, which will help JSWEL contain costs better and hence boost profitability. It will be importing coal (average GCV 5,400-5,500 kCal/kg) from South Africa/ Indonesia in the range of 3-10MTPA on LT supply contract while 30-50% will be procured from spot market by FY13E, when most of its capacities become operational. Tapering domestic coal supplies will initially feed RWPL-I (first three years), till the Barmer lignite mines become functional. We expect lignite mining to start at 3MTPA in FY13, ramping upto 6MTPA by FY14-15.

Exhibit 37. Imported and domestic coal supply contracts

	FY10	FY11E	FY12E	FY13E	FY14E
JSW Steel (JSWEL I)	1.1	1.0	1.0	1.0	1.0
Sungai Belati, Indonesia (JSWEL II)	0.7	2.0	2.0	2.0	2.0
JSW Mozambique	0.0	0.0	0.5	1.5	3.0
SACMH South Africa	0.0	0.8	1.0	1.0	1.0
Total Imported Coal Contracts	1.7	3.8	4.5	5.5	7.0
Imported coal Spot purchases	0.7	2.1	4.4	3.6	1.2
Total Imported Coal SUPPLY	2.4	5.8	8.9	9.1	8.2
BLMCL Lignite (RWPL-I)	0.0	0.0	0.0	3.0	6.0
Raipur Integrated Mine	0.0	0.0	0.0	0.0	0.0
Total Domestic Coal Supply	0.0	0.0	0.0	3.0	6.0

Source: Company, JM Financial

We have conservatively assumed tapering coal linkage only till FY12.

Barmer lignite mines to reduce imported coal requirement

..leading to higher variable costs...

Though >50% coal supplies have been contracted and it has access to captive lignite mines for 1,350MW (RWPL-I and II), JSWEL will still have to resort to spot coal buying in international markets which is likely to result in volatile variable cost. VC per unit has been estimated in the range of Rs1.6-Rs2.8/kWh going forward, lowest being for RWPL, owing to the captive lignite mines.

Exhibit 38. Variable cost per unit (Rs/kWh)

	FY09	FY10	FY11E	FY12E	FY13E	FY14E
Bellary	3.33	2.10	2.56	2.64	2.69	2.76
Vijay-II	-	1.66	1.80	1.89	1.89	1.79
JSWERL	-	-	1.62	1.72	1.70	1.59
RWPL -I	-	2.00	1.64	1.68	1.51	1.01
RWPL-II	-	-	-	-	-	1.88

Source: Company, JM Financial

..but lower fixed costs

JSWEL ordered equipments before the FY08-09 boom time and hence have competitive fixed prices leading to lower per MW costs. Managing O&M of power plants by themselves not just gives JSWEL an added advantage of maintaining high plant availability but also lowers its overall fixed costs. Operations and maintenance for all its projects are handled by its O&M team, which in the past has been managing groups' other power assets along with third party power plants. Fixed costs, consisting of O&M expenses along with interest and depreciation will range between Re0.40/kWh and Rs1.3/kWh. We have assumed O&M costs at Rs1mn/MW across all coal fired plants while for RWPL-I&II we have assumed 20% higher O&M costs (Rs1.2mn/MW) due to abrasive quality of lignite.

Exhibit 39. Fixed cost per unit (Rs/kWh)

	FY09	FY10	FY11E	FY12E	FY13E	FY14E
Bellary	0.50	0.44	0.42	0.40	0.40	0.41
Vijay-II	NA	0.71	0.67	0.66	0.65	0.64
JSWERL	NA	NA	0.94	0.86	0.84	0.82
RWPL -I	NA	0.83	1.19	1.12	1.08	1.04
RWPL-II	NA	NA	NA	NA	NA	1.34

Source: Company, JM Financial

Company background

JSWEL was incorporated in 1994, with the objective to develop, construct and operate power plants. The company is a part of the JSW Group, which is in turn is a part of the O.P. Jindal Group. Mr. Sajjan Jindal heads the JSW Group, which has presence in the steel, power, aluminium, cement and infrastructure sectors. The JSW Group employed more than 8,500 as on end-FY09.

Exhibit 40. Board of directors

Name	Post	Background	Other Directorships
Mr. Sajjan Jindal	Chairman Managing Director	Son of Late Shri O P Jindal; Bachelor's in Mechanical Engineering from the Bangalore University; President of Assocham, Member of Indian Council for Sustainable Development, Member of the Advisory Committee of TERI School of Management, member of CII National Council, Council member of Indian Institute of Metals and Member of the Board of Directors of Indian Institute of Management, Indore.	Jindal South West Holdings Limited, JSW Steel Limited, JSW Infrastructure & Logistics Limited, Vrindavan Fin trade Limited, Twenty First Century Printers Limited, JSOFT Solutions Limited, JSW Steel (U.K.) Limited
Mr. S.S. Rao	Joint Managing Director & CEO	An electrical engineer and masters of business administration; Has over 39 years of experience in establishing TPP, negotiating and implementing power purchase agreements & fuel supply agreements, power pricing, tariff structures & mechanisms, environment friendly & safe methods in operating & maintenance of power plants. Prior to joining JSWEL, he has worked with the Power Grid Corporation of India Limited, National Thermal Power Corporation, Mecon India Limited and Aditya Birla Group Limited.	JSW Trading Company limited, Raj West Power Limited, JSW Energy (Ratnagiri) Limited.
Mr. Tilak Raj Bajalia	Nominee Director of IDBI Bank	-	None
Mr. D J Balaji Rao	Independent Director	-	Ashok Leyland Limited, Bajaj Auto Limited, 3M India Limited, Prudential ICICI Trust Limited, Graphite India Limited
Mr. P. Abraham	Independent Director	-	Maharashtra State Power Generation Company., GVK Power and Infrastructure Company Limited, UFLEX Industries Limited, PTC Limited, Vijay Electricals Limited, Nagarjuna Construction Company Limited, Lanco Infratech Limited, Himalayan Green Energy Private Limited, Green Infrastructure Private Limited
Mr. Chandan Bhattacharya	Independent Director	-	Great Offshore Limited, Phoenix ARC Private Ltd., Meghmani Organics Ltd., JSW Energy (Ratnagiri) Ltd., JSW Power Trading Company Ltd., HNG Float Glass Ltd, Shirdi Industries Ltd.
Mr. J K Tandon	Independent Director	-	Chairman JSW Cement Ltd., On boards of JSW Bengal Steel Limited, JSW Jharkhand Steel Limited, JSW Building Systems Limited, JPOCL, TIOMCL, VMPL & JSW Steel USA Inc.
Mr. Shailesh F Shah	Independent Director	-	JSoft Solutions Limited

Source: RHP, JM Financial

Financial Tables (Consolidated)

Profit & Loss		(Rs mn)				
Y/E March	FY08	FY09	FY10	FY11E	FY12E	
Net sales (Net of excise)	12,931	18,350	23,551	57,592	90,755	
Growth (%)		41.9	28.3	144.5	57.6	
Other operational income	0	0	0	0	0	
Raw material (or COGS)	3,288	11,947	10,030	25,398	40,879	
Personnel cost	155	271	311	466	700	
Other expenses (or SG&A)	723	814	1,075	1,964	2,597	
EBITDA	8,765	5,319	12,135	29,763	46,580	
EBITDA (%)	67.8	29.0	51.5	51.7	51.3	
Growth (%)		-39.3	128.2	145.3	56.5	
Other non-op. income	329	171	742	1,409	2,031	
Depreciation and amort.	586	602	1,361	3,905	6,746	
EBIT	8,508	4,888	11,516	27,267	41,865	
Add: Net interest income	-886	-1,209	-2,837	-5,686	-9,808	
Pre tax profit	7,623	3,678	8,679	21,581	32,057	
Taxes	1,370	911	1,224	4,555	6,773	
Add: Extraordinary items	0	0	0	0	0	
Less: Minority interest	0	0	0	0	0	
Reported net profit	6,253	2,767	7,455	17,027	25,284	
Adjusted net profit	6,253	2,767	7,455	17,027	25,284	
Margin (%)	48.4	15.1	31.7	29.6	27.9	
Diluted share cap. (mn)	1,640	1,640	1,640	1,640	1,640	
Diluted EPS (Rs.)	3.8	1.7	4.5	10.4	15.4	
Growth (%)	NA	-55.7	169.4	128.4	48.5	
Total Dividend + Tax	0	1,205	1,439	3,287	4,881	

Source: Company, JM Financial

Balance Sheet		(Rs mn)				
Y/E March	FY08	FY09	FY10E	FY11E	FY12E	
Share capital	5,148	5,466	16,401	16,401	16,401	
Other capital	0	0	0	0	0	
Reserves and surplus	4,808	9,320	31,401	45,140	65,543	
Networth	9,956	14,786	47,802	61,541	81,944	
Total loans	22,727	59,272	74,624	97,535	97,284	
Minority interest	800	152	152	152	152	
Sources of funds	33,483	74,210	122,578	159,228	179,380	
Intangible assets	0	0	0	0	0	
Fixed assets	11,316	11,691	59,454	107,701	158,734	
Less: Deprn. and amort.	4,742	5,349	6,208	10,113	16,859	
Net block	6,574	6,342	53,247	97,588	141,875	
Capital WIP	27,470	79,240	68,534	53,541	10,068	
Investments	207	1,705	1,705	1,705	1,705	
Def tax assets/- liability	-685	-814	-814	-814	-814	
Current assets	5,035	5,399	19,452	29,309	51,133	
Inventories	376	778	881	2,934	5,154	
Sundry debtors	844	965	2,191	5,872	8,941	
Cash & bank balances	2,949	1,750	16,379	20,503	37,038	
Other current assets	865	1,906	0	0	0	
Loans & advances	0	0	0	0	0	
Current liabilities & prov.	5,118	17,662	19,545	22,100	24,586	
Current liabilities	5,118	17,662	19,545	22,100	24,586	
Provisions and others	0	0	0	0	0	
Net current assets	-84	-12,262	-93	7,209	26,547	
Others (net)	0	0	0	0	0	
Application of funds	33,483	74,210	122,578	159,228	179,380	

Source: Company, JM Financial

Cash flow statement		(Rs mn)				
Y/E March	FY08	FY09	FY10E	FY11E	FY12E	
Reported net profit	6,253	2,767	7,455	17,027	25,284	
Depreciation and amort.	4,742	607	858	3,905	6,746	
-Inc/dec in working cap.	3,898	12,020	553	-3,178	-2,803	
Others	800	-648	0	0	0	
Cash from operations (a)	15,694	14,746	8,866	17,754	29,227	
-Inc/dec in investments	-207	-1,497	0	0	0	
Capex	-38,786	-52,145	-37,057	-33,254	-7,560	
Others	-865	-1,041	1,906	0	0	
Cash flow from inv. (b)	-39,859	-54,683	-35,151	-33,254	-7,560	
Inc/-dec in capital	3,703	3,267	27,000	0	0	
Dividend+Tax thereon	0	-1,205	-1,439	-3,287	-4,881	
Inc/-dec in loans	22,727	36,545	15,353	22,911	-251	
Others	685	129	0	0	0	
Financial cash flow (c)	27,115	38,737	40,913	19,624	-5,132	
Inc/-dec in cash (a+b+c)	2,949	-1,199	14,629	4,123	16,536	
Opening cash balance	0	2,949	1,750	16,379	20,503	
Closing cash balance	2,949	1,750	16,379	20,503	37,038	

Source: Company, JM Financial

Key Ratios						
Y/E March	FY08	FY09	FY10E	FY11E	FY12E	
BV/Share (Rs)	6.1	9.0	29.1	37.5	50.0	
ROCE (%)	23.5	7.2	11.1	17.6	23.5	
ROE (%)	62.8	22.4	23.8	31.1	35.2	
Net Debt/equity ratio (x)	2.0	3.8	1.2	1.2	0.7	
Valuation ratios (x)						
PER	26.2	59.3	25.1	11.0	7.4	
PBV	16.5	11.1	3.9	3.0	2.3	
EV/EBITDA	20.9	41.3	20.1	8.8	5.3	
EV/Sales	14.2	12.0	10.4	4.6	2.7	
Turnover ratios (no.)						
Debtor days	24	19	34	37	36	
Inventory days	11	15	14	19	21	
Creditor days	568	540	711	318	220	

Source: Company, JM Financial



Notes



Notes

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