

India Power

Sep-q earnings preview and PLF tracker

Power sector woes have not ceased. We see fuel availability, high capital costs and lower merchant rates impacting Sep-q performance for Adani, Lanco and JSW. TPWR and PWGR are the likely bright spots, and we continue to recommend these as our top picks. Avoid / sell the rest.

- TPWR and PWGR (both OW) to report strong operating earnings:** We est TPWR's PAT to grow 38% yoy due to better coal price realization from KPC and Arutmin. QoQ too PAT growth is expected to be sharp as the Jun-q was impacted by higher taxes. PWGR PAT is estimated to grow by 21% yoy; capitalization has played catch up after a weak Jun-q.
- Adani and JPVL's (both N) capacity additions promote PAT growth:** We believe Adani's PAT growth will, however, moderate to 21% yoy (14% decline qoq) - PLFs are declining although capacity additions are on track. Last quarter, management attributed lower PLF to grid restrictions and maintenance shut downs. **JPVL** will likely multiply its PAT in the Sep-q with the commissioning of Karcham Wangtoo, which is selling power at short-term rates.
- Weak PLFs to continue to impact imported coal users:** With capacity addition hitting a road block of late, we believe **Lanco's (N)** performance will continue to be impacted by construction profit elimination and weak PLFs. We expect **JSW Energy (UW)** to see a sharp 38% yoy PAT decline in the Sep-q, with lower PLFs and merchant prices for their operating plants. **RPWR (UW)** profit decline is mainly due to our lower financial income estimate, but we expect EBITDA to decline by 20% qoq as PLF for Rosa slipped below 70% in Aug and Sep.
- NTPC (N):** We estimate NTPC's PAT to decline 4% yoy despite capacity addition as PLF declines due to fuel shortages impact fixed cost recovery.

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India Power: Sep-q PAT growth

	PAT	% QoQ	% YoY
ADANI	1,521	(14)	21
JSW	1,131	(17)	(38)
LANCI	315	128	(55)
NTPC	17,012	(18)	(4)
RPWR	1,590	(19)	(32)
PWGR	7,856	11	21
TPWR	4,916	17	38
JPVL	2,782	300	220

Source: J.P.Morgan Estimates.

India Power: Sep-q PAT JPM vs. street

	JPM	Consensus	% diff
ADANI	1,521	1,974	(23)
JSW	1,131	893	27
LANCI	315	422	(26)
NTPC	17,012	20,443	(17)
RPWR	1,590	1,560	2
PWGR	7,856	7,226	9
TPWR	4,916	5,516	(11)
JPVL	2,782	2,156	29

Source: J.P.Morgan Estimates.

Table 1: India Power: Valuation summary

	Mkt price (Rs)	Mkt cap (US\$ bn)	PT (Rs)	Rating	P/E		EV/EBITDA		P/B	
					FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
NTPC	168	28.3	200	N	14.6	12.0	10.5	8.6	1.9	1.7
Tata Power	100	4.8	120	OW	8.4	9.7	7.8	6.2	1.4	1.2
Reliance Power	87	5.0	72	UW	43.8	26.6	52.1	22.7	1.4	1.3
Adani Power	82	3.7	90	N	10.2	12.0	11.2	8.1	1.9	1.6
JSW Energy	51	1.7	55	UW	13.1	12.1	10.4	8.6	1.4	1.2
Lanco Infratech	15	0.8	19	N	22.7	7.5	3.1	1.3	0.8	0.7
Power Grid	98	9.3	116	OW	14.9	12.7	10.6	9.7	1.9	1.8
JPVL	38	2.0	46	N	17.1	8.5	14.7	9.9	1.7	1.1

Source: Bloomberg, J.P. Morgan estimates. Price as on 17 October 2011.

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Table 2: India Power: 2QFY12E results summary

Rs. in million, year-end March

	2QFY12E			1QFY12			2QFY11		
	Net sales	PBDIT	PAT	Net sales	PBDIT	PAT	Net sales	PBDIT	PAT
ADANI	8,372	4,018	1,521	8,187	4,102	1,769	3,952	2,095	1,258
JSW	12,794	3,638	1,131	12,724	3,932	1,363	8,462	3,249	1,838
LANCI	18,742	4,647	315	19,491	4,910	138	20,417	4,167	704
NTPC	143,842	31,958	17,012	141,715	32,190	20,758	151,138	38,719	17,650
RPWR	4,450	1,477	1,590	5,418	1,849	1,961	1,687	282	2,348
PWGR	24,031	20,186	7,856	22,025	18,455	7,053	21,266	17,858	6,514
TPWR	55,673	13,362	4,916	58,245	14,234	4,186	48,095	11,373	3,565
JPVL	7,057	6,278	2,782	2,748	2,554	696	2,377	2,443	870

Source: Company reports and J.P. Morgan estimates.

Table 3: India Power: 2QFY12E results: QoQ and YoY growth

Rs. in million or %, year-end March

	2QFY12E (Rs M)			Vs 1QFY12 (% QoQ)			Vs 2QFY11 (% YoY)		
	Net sales	PBDIT	PAT	Net sales	PBDIT	PAT	Net sales	PBDIT	PAT
ADANI	8,372	4,018	1,521	2	(2)	(14)	112	92	21
JSW	12,794	3,638	1,131	1	(7)	(17)	51	12	(38)
LANCI	18,742	4,647	315	(4)	(5)	128	(8)	12	(55)
NTPC	143,842	31,958	17,012	2	(1)	(18)	(5)	(17)	(4)
RPWR	4,450	1,477	1,590	(18)	(20)	(19)	164	424	(32)
PWGR	24,031	20,186	7,856	9	9	11	13	13	21
TPWR	55,673	13,362	4,916	(4)	(6)	17	16	17	38
JPVL	7,057	6,278	2,782	157	146	300	197	157	220

Source: Company reports and J.P. Morgan estimates.

Table 3: Indian IPPs and Utilities: Monthly PLFs

	Production (mn units)						PLF					
	Apr '11	May '11	Jun '11	Jul '11	Aug '11	Sep '11 ⁽¹⁾	Apr '11	May '11	Jun '11	Jul '11	Aug '11	Sep '11 ⁽¹⁾
Reliance Power	413	374	404	423	288	291	96%	84%	94%	95%	65%	67%
Rosa (600MW)	413	374	404	423	288	291	96%	84%	94%	95%	65%	67%
Reliance Infrastructure	530	552	472	493	505	487	96%	97%	85%	86%	88%	88%
Dahanu (500MW)	377	387	363	375	345	354	105%	104%	101%	101%	93%	98%
Goa (48MW)	27	27	21	24	23	21	77%	75%	62%	67%	65%	61%
Samalkot (220MW)	126	137	87	95	137	112	80%	84%	55%	58%	84%	71%
Lanco	1,005	1,173	920	981	937	937	69%	77%	63%	65%	62%	64%
Aban (120MW)	39	83	68	65	65	61	45%	93%	78%	73%	73%	71%
K1&2 (716MW)	358	422	371	407	232	351	69%	79%	72%	76%	44%	68%
Amarkantak (600MW)	297	343	307	249	335	307	69%	77%	71%	56%	75%	71%
Udupi (600MW)	312	326	174	261	305	218	72%	73%	40%	58%	68%	50%
JSW Energy	1,101	897	703	940	958	1,104	88%	64%	45%	59%	64%	73%
Vijaynagar (860MW)	640	600	261	415	553	528	103%	94%	42%	65%	86%	85%
Ratnagiri (600MW) ⁽⁴⁾	399	298	442	525	405	576	92%	50%	68%	78%	60%	89%
Barmer (270MW)	62	-	-	-	-	-	32%	0%	0%	0%	0%	0%
Adani Power ⁽³⁾	1,154	1,291	748	930	1,252	1,113	81%	88%	52%	63%	85%	59%
Mundra (2,640MW)	1,154	1,291	748	930	1,252	1,113	81%	88%	52%	63%	85%	59%
GVK	594	623	462	448	546	489	90%	91%	70%	66%	80%	74%
J1&2 (455MW)	287	301	232	205	275	232	88%	89%	71%	61%	81%	71%
Gautami (464MW)	307	323	230	243	272	257	92%	94%	69%	70%	79%	77%
GMR	471	442	436	421	352	310	83%	75%	77%	72%	60%	55%
Vemagiri (370MW)	254	269	244	227	209	129	96%	98%	91%	83%	76%	48%
Mangalore (220MW)	105	118	121	126	94	122	66%	72%	76%	77%	57%	77%
Basin Bridge (200MW)	112	55	72	67	50	59	78%	37%	50%	45%	33%	41%
NTPC (31,562MW) ⁽²⁾	18,182	18,729	17,655	18,387	17,173	15,362	82%	81%	77%	78%	73%	68%
Coal (27,545MW)	16,137	17,000	15,941	16,564	15,317	13,644	83%	85%	80%	81%	75%	69%
Gas (4,017MW)	2,045	1,730	1,714	1,824	1,856	1,717	71%	58%	57%	61%	62%	59%
Tata Power	1,224	1,292	1,260	1,150	1,119	1,133	66%	67%	68%	60%	58%	61%
Mumbai (1,580MW)	766	863	813	687	692	720	67%	73%	71%	58%	59%	63%
Jojobera (441MW)	195	188	217	203	214	213	61%	57%	68%	62%	65%	67%
Bhira (150MW)	45	44	58	86	75	64	41%	39%	54%	77%	67%	60%
Bhivpuri (75MW)	33	32	14	4	1	2	61%	57%	26%	7%	2%	4%
Khopoli (72MW)	21	22	16	33	31	-	40%	41%	31%	61%	58%	0%
Belgaum (81MW)	32	6	9	0	-	1	56%	10%	15%	1%	0%	1%
Trombay (180MW)	132	137	133	136	106	133	102%	102%	102%	102%	79%	103%
JPVL	131	495	732	956	991	999	26%	70%	107%	108%	109%	99%
Vishnuprayag (400MW)	83	278	303	322	315	314	29%	93%	105%	108%	106%	109%
Baspa (300MW)	48	177	220	243	238	203	22%	79%	102%	109%	106%	94%
Karcham (750MW)	-	40	209	391	438	482	-	22%	116%	105%	118%	89%
Sterlite	349	500	449	555	514	369	39%	56%	52%	62%	58%	28%
Jharsuguda (1800MW) ⁽⁵⁾	349	500	449	555	514	369	39%	56%	52%	62%	58%	28%
Essar	62	-	72	-	-	22	17%	0%	19%	0%	0%	6%
Essar (515MW)	62	-	72	-	-	22	17%	0%	19%	0%	0%	6%
JSPL	723	722	721	756	652	628	100%	97%	100%	102%	88%	87%
Jindal Power (1000MW)	723	722	721	756	652	628	100%	97%	100%	102%	88%	87%
KSK Energy	205	272	252	234	212	211	70%	68%	65%	58%	53%	54%
Wardha Warora (540MW)	205	272	252	234	212	211	70%	68%	65%	58%	53%	54%

Source: CEA and J.P. Morgan calculations. Note: (1) September 2011 generation numbers are tentative. (2) NTPC's reported PLF as per CEA is 70% in September, 77% in August, 85% in June & July, 88% in May, 87% in April, 95% in March, 93% in Feb and 94% in Jan. (3) Adani's PLF reported as per CEA is 91% for April and 93% for March. (4) JSW's Ratnagiri's PLF reported as per CEA is 80% in June and 57% in May. (5) Sterlite's Jharsuguda project's PLF reported as per CEA is 38% in September and 78% in August.

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