



Reliance Power

IPO Fact Sheet

Issue details

Issue opens	: January 15, 2008
Issue closes	: January 18, 2008
Issue size	: 26 crore equity shares
Promoters contribution	: 3.2 crore shares
Fresh issue to public	: 22.8 crore shares
Face value	: Rs10 each
Break-up of fresh issue to public:	
- QIB's portion	: 13.68 crore shares
- Retail portion	: 6.84 crore shares
- Non-institutional portion	: 2.28 crore shares
Price band	: Rs405-450

Object of the issue

The total issue of 26 crore equity shares is aimed at raising Rs10,530 crore to Rs11,700 crore (depending on the price band of Rs405-450 per share). Out of the total issue, 3.2 crore shares would be issued to the promoters, Reliance Energy Ltd (REL) and AAA projects. Consequently the net issue to public would be 22.8 crore shares.

The objectives of the issue are:-

- Funding subsidiaries to part finance the construction and development cost of certain identified projects
- General corporate purpose, and
- Achieve benefits from the listing of equity shares

Objects	(Rs crore)
Funding subsidiaries to part finance the construction and development cost of certain identified projects	8642.4
600 MW Rosa Phase I	393.2
600 MW Rosa Phase II	615.0
300 MW Butibori	411.4
3960 MW Sasan	5461.4
1200 MW Shahpur Coal	1145.8
400 MW Urthing Sobla	615.8
General corporate purpose	[-]
Issue expenses	[-]
Total	[-]

Shareholding pattern

After the issue, the total number of shares for the company will increase from 200 crore to 226 crore, bringing down REL and AAA Projects (the promoters) stake to 45% of the diluted equity.

Shareholding pattern

Shareholders	Pre-issue		Post-issue	
	No of equity shares	%	No of equity shares	%
Promoters				
Mr Anil Dhirubhai Ambani	1000	-	1000	-
RINL	1000	-	1000	-
REL	1,000,000,000	50.0	1,016,000,000#	45.0
AAA Projects	999,998,000	50.0	1,015,998,000#	45.0
Net issue to public			22,800,000	10.1
Total	2,000,000,000		2,260,000,000	

#16,000,000 equity shares each to be allocated to REL and AAA projects respectively as promoters' contribution to the issue.

Source:RHP

Company background

Reliance Power Ltd (RPower) is a part of Reliance Anil Dhirubhai Ambani group (R-ADAG) and was established to develop, construct and operate power projects domestically and internationally. RPower currently has 13 medium- and large-sized power plants under development and has laid out a plan to install 28,200 megawatt (MW) of power generation capacity. At present, the company does not have any operational project and the first project is expected to be operational only by December, 2009.

R-ADAG comprises companies in telecommunications, financial services, media and entertainment, infrastructure, energy and other sectors. R-ADAG includes Reliance Communications (RCOM), one of the largest wireless carriers in India in terms of coverage and capacity, Reliance Capital Ltd (RCL), one of the largest private sector financial services companies, and Adlabs Film Ltd, one of the leading movie and entertainment companies in India. The group's energy sector companies include Reliance Energy Ltd (REL), Reliance Natural Resources Ltd (RNRL), Reliance Energy Transmission,

and Reliance Energy Trading. R-ADAG intends RPower to be its primary investment vehicle in the power generation sector in the future.

RPower's projects under implementation include:

- ♦ Rosa Phase I, a 600-MW coal-fired project in Uttar Pradesh which is currently under construction and scheduled to be commissioned in March 2010.
- ♦ Rosa Phase II, a 600-MW expansion of Rosa Phase I, which is scheduled to be commissioned in September 2010.
- ♦ Butibori, a 300-MW coal-fired project, which will supply power to a group of industrial consumers in Maharashtra. It is scheduled to be commissioned in June 2010.
- ♦ Sasan, a 3,960-MW super-critical coal-fired ultra mega power project (UMPP), is scheduled to be commissioned in April 2016 as stated in the power purchase agreement (PPA).
- ♦ Shahapur, a 4,000-MW coal-fired (1,200MW) and combined cycle gas-fired (2,800MW) project in Shahapur, Maharashtra. Shahapur Coal, a super-critical coal-fired

project is scheduled to be commissioned in December 2011 and Shahapur Gas, a combined cycle gas-fired project, is scheduled to be commissioned in March 2011.

- ♦ Urthing Sobla, a 400-MW run-of-the-river hydroelectric project located on Daulinganga river in Uttarakhand, is scheduled to be commissioned in March 2014.

Six other projects by RPower are in various stages of development. This includes a 7,480-MW gas-fired project at Dadri, a 3,960-MW coal-fired MP Power, and a 4,000-MW Krishnapatnam project. The other three projects are run-of-the-river hydroelectric projects--Siyom (1,000 MW), Tato II (700 MW) and Kalai II (1,200 MW). The 7,480-MW Dadri project to be located in Uttar Pradesh is expected to be the largest gas-fired power project at a single location in the world.

The company plans to source coal from its captive mines and other suppliers from India and abroad, whereas gas would be sourced from the KG Basin through RNRL and other companies.

The tables below show the procurement status of equipment, fuel linkages and the off-take agreement signed by the company.

Projects under development and to be funded by the net proceeds from the current issue

No	Project name	Location	Proposed installed capacity	Procurement status	Fuel supply	Off take status	Scheduled commissioning of first unit / Project completion	Estimated project cost (Rs cr)
1	Rosa Phase-I	Uttar Pradesh	600 MW 2x300MW coal fired (sub-critical)	EPC contract signed with Shanghai Electric Group Co and Utility Energytech & Engineers Pvt Ltd	Agreement signed with Central Coalfields Ltd	Long-term PPA signed with the UPPCL	Dec 2009 / Mar 2010	2,702
2	Rosa Phase-II	Uttar Pradesh	600 MW 2x300 MW coal fired (sub-critical)	EPC contract signed with SEC and UEEPL.	Application for coal allocation submitted to Ministry of Coal	300MW long-term PPA proposed to UPPCL 300 MW MOU to negotiate PPA with Reliance Energy Trading	Jun 2010/ Sep 2010	2,460
3	Butibori	Maharashtra	300 MW 2x150 MW coal fired (sub-critical)	International competitive bidding invited	Application for coal allocation submitted to Ministry of Coal	Long-term PPA to be arranged with group of captive industrial consumers	Mar 2010/ June 2010	1,405
4	Sasan	Madhya Pradesh	3,960 MW 6x660 MW coal fired (super-critical)	In progress	Captive mines allocated	Long-term PPA signed with a group of 14 procurers from seven states	May 2013/ April 2016	18,342
5	Shahpur Coal	Maharashtra	1200 MW 2x600 MW coal fired (super-critical)	International competitive bidding invited	MOU with RNRL to negotiate for sourcing of imported coal	Long-term PPA to be arranged; indications of interest received	Sept 2011 / Dec 2011	4,800
6	Urthing Sobla	Uttarakhand	400 MW 4x100 MW hydro (run-of-the-river)	To be arranged after submission of DPR	N/A	Long-term or short term PPAs to be arranged	March, 2014	2,080

Other projects Under Development

No	Project name	Location	Proposed installed capacity	Off take status	Estimated project cost (Rs crore)
1	Shahapur Gas	Maharashtra	2,800 MW 2 modules of 1400 MW gas-fired (CCGT)	Long-term or short-term PPAs to be arranged	8,400
2	Dadri	Uttar Pradesh	7,480 MW 5 modules of 1,400 MW plus 480 MW gas fired (CCGT)	Long-term PPAs to be arranged for 40% of the capacity; long-term or short-term PPAs to be arranged for remainder; indications of interest received	22,440
3	Siyom 1	Arunachal Pradesh	1,000 MW 4x250 hydro (run-of-the-river)	Long-term or short-term PPAs to be arranged	5,780
4	Tato II	Arunachal Pradesh	700 MW 4x175 hydro (run-of-the-river)	Long-term or short-term PPAs to be arranged	4,045
5	MP Power	Madhya Pradesh	3,960 MW 6x660 MW coal-fired (supercritical)	Long-term or short-term PPAs to be arranged	15,842
6	Kalai II	Arunachal Pradesh	1,200 MW 8x150 hydro (run-of-the-river)	Long-term or short-term PPAs to be arranged	7,295
7	Krishnapatnam	Andhra Pradesh	4,000 MW 5x800 Coal-fired (supercritical)	Long-term PPAs signed with 11 procurers comprising four states	16,537.6

Key positives**One of the largest portfolio of power generation projects under development**

RPower has 13 projects under development with a combined capacity of 28,200MW. This is by far the largest power generation capacity under way in the country. The portfolio of project includes some of the most significant power projects in the industry.

Sasan, a 3,960-MW coal-fired UMPP, is expected to be the largest pithead coal-fired power project at a single location in India. Dadri, a 7,480-MW gas-fired project to be located in Uttar Pradesh, is expected to be the largest gas-fired power project at a single location in the world.

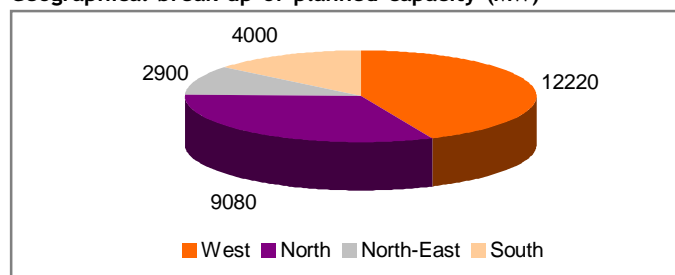
Capitalising on the growth in the Indian power generation sector

The power sector in India has historically been characterised by power shortages that have consistently increased over the time. According to Central Electricity Authority, as of March 31, 2007 the total peak shortage was 13,897MW. Government's initiative of "power for all" lays down an ambitious plan of adding 78,577MW of power over the 11th five-year plan (2007-2012). RPower's large and diverse portfolio of power generation plants would help the company capitalise on the opportunities presented by this sector and the company could play a significant role in the growth of the Indian power sector.

Diversified portfolio of power projects

RPower's projects are diverse in geographic location, fuel type, fuel source and off-take. The identified project sites are located in western, northern, north-eastern and southern India. They include seven coal-fired projects (14,620MW) employing super-critical (13,120MW) and sub-critical

(1,500MW) PCC technology, two gas-fired projects (10,280MW) employing CCGT technology and four run-of-the-river hydroelectric projects (3,300MW).

Geographical break-up of planned capacity (MW)**Key concerns****RPower has no operating history**

RPower at present has no operational power plants or other revenue generating operations. It has no significant operating history in the field of power generation. Its first project is expected to commence only by December 2009.

Corporate guarantee

Reliance Innoventures Pvt Ltd, one of the promoter of the company has given guarantee to raise Rs22,885.50 crore for financing the identified projects in case the company is not able to arrange for debt financing. RCL and Reliance ADAG group Pvt Ltd have also resolved to provide upto Rs25,431.20 crore for financing.

Networth of guarantors as of FY2007 Rs (cr)

	Net worth of the company	Capital guarantee provided
RINL	28,366.81	22,885.5
RCL	5,302.38	25,431.2

Source: RHP

Fuel linkages

One of the major concern for the company is the fuel linkage. The company currently has linkages only for Rosa I 600-MW coal-fired plant and Sasan 3,960-MW coal-fired plant. The company still needs to tie up for the fuel supply of the remaining 20,340MW of its planned power generating capacity.

Execution delays

Power projects have long gestation periods. Majority of the projects announced by the company are in the early stages of development and need to address issues pertaining to land, equipment, fuels etc. These could lead to delay in the projects being operational.

Financials and valuations

RPower currently has no operational power plant. The company has laid out an ambitious plan of 28,200-MW power generation capacity by April 2016. Out of the total capacity planned, 52% (14,620MW) is based on coal, 36% (10,280MW) is based on natural gas and the remaining 12% (3,300MW) is based on hydro power.

We have compared RPower to National Thermal Power Corporation (NTPC) on enterprise value (EV)/MW basis. RPower has planned a 28,200MW capacity by 2017, while NTPC has set it self a target of 69,946MW capacity (we have excluded the projects under joint ventures with other parties). Assuming there are no delays in the projects and that both the companies are able to execute their planned projects in the stipulated period, we have derived the EV/MW on the projected capacity at the end of 2017. At the current market price RPower at the upper band (Rs450) is 6.6x EV/MW while NTPC is 4.6x EV/MW.

Comparison

Particulars	Reliance Power	NTPC
No of shares (cr)	226	824.5
Market price (Rs)	450	273
Market cap	101,700.0	225,088.5
Enterprise value		
Current	101,700	235,922.6
~2017	185,280.9	319,183.4
Capacity (MW)		
Current	NA	26,850
~2012*	5,500	45,700
~2017	28,200	69,946
EV/MW		
Current	NA	8.8
~2017	6.6	4.6
Market cap/MW		
Current	NA	8.4
~2017	3.6	3.2

* In case of Dadri plant being operational the estimated capacity would be higher
Source: RHP, Sharekhan Estimates

Majority of projects announced by the company are in the initial stages of development and close to 20,340MW of generation capacity still needs fuel linkages. We believe the issue is coming at rich valuations. In terms of price to book value, at current market price NTPC is trading at a price to book value (P/BV) of 4.6x, whereas RPower on upper band of Rs450 is available at 7.5x its post-issue book value. RPower also comes in at significantly high valuations to other utilities like the TATA Power, which currently trades at 5.3x its book value and CESC which is trading at 3.2x its book value of Rs201.9. Apart from rich valuations, we see execution as the key risk to the company.

Valuation table

Particulars	NTPC	CESC	Tata Power	RPower @ 450
Market cap (Rs cr)	219,411	8,203	32,570	101,700
CMP (Rs)	273	649	1457	450
Book value	59.1	201.9	273	60
Price to book value	4.6	3.2	5.3	7.5
Total capacity installed (MW)	26850	975	2306	N/A

Source: Bloomberg, Capital line, Sharekhan Estimates

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