

14th India Investor Conference

**Bank of America
Merrill Lynch**
Bharat Parekh >>
 Research Analyst
 DSP Merrill Lynch (India)
 bharat.parekh@baml.com

+91 22 6632 8656

Having met with management today at our 14th Annual India Investor Conference in New Delhi, here are our key takeaways:

Key takeaways were:

20x scale-up + fuel/funding + 60% pre-sales + high ROE= Buy

Reiterate Buy on Adani Power (APL) given (1) a twentyfold scale-up in capacity to 12GW by FY14E via an unregulated business model (no cap on ROE), and (2) visibility of 16x EPS over FY10E-12E led by 77% power pre-sold at attractive tariff and secured fuel/funding. Our thesis is backed by its competitive advantages of healthy tariffs, low cost and committed fuel supplies, as well as location advantage and balanced model. Our PO is Rs131, based on DCF valuation. We believe the stock is attractive at FY12E 35% ROE and 2.3x P/B.

More projects, PPAs and risk mitigation since IPO

1. APL's project pipeline is now 14.9GW vs 9.9GW at its IPO (July09).
2. It is set to win contracts to supply 1.2GW to the state of Maharashtra,
3. Its 1.32GW Mundra project is the world's 1st thermal plant eligible for CDM benefits.
4. APL de-risked its coal mix by securing additional 7.8mtpa domestic coal linkage recently across 2 projects.

Potential upside - 5.9GW projects vs our 9.2GW, captive coal mine for Tiroda project or higher merchant prices on capex delays (recurring in India).

Risks: Execution, financing, imported coal which exposes it to country, currency/freight risks, Chinese labor, denial of SEZ benefits, and fall in power rates.

Estimates (Mar)

(Rs)	2008A	2009A	2010E	2011E	2012E
Net Income (Adjusted - mn)	0	(50)	1,801	8,735	28,227
EPS	0	(0.027)	0.826	4.01	12.95
EPS Change (YoY)	NA	NA	NM	385.0%	223.1%
Dividend / Share	0	0	0	0	0
Free Cash Flow / Share	(39.91)	(24.88)	(45.26)	(47.62)	(33.66)

Valuation (Mar)

	2008A	2009A	2010E	2011E	2012E
P/E	NA	NM	126.87x	26.16x	8.09x
Dividend Yield	0%	0%	0%	0%	0%
EV / EBITDA*	NA	NM	108.14x	22.96x	6.43x
Free Cash Flow Yield*	-9.64%	-20.06%	-43.18%	-45.44%	-32.12%
Price/Book Value	17.74	10.02	3.90	3.40	2.39

* For full definitions of *iQmethod*SM measures, see page 5.

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Refer to important disclosures on page 5 to 7. Analyst Certification on Page 3. Price Objective Basis/Risk on page 3.

Stock Data

Price	Rs104.80
Price Objective	Rs131.00
Date Established	29-Jan-2010
Investment Opinion	C-1-9
Volatility Risk	HIGH
52-Week Range	Rs90.10-Rs112.90
Mrkt Val / Shares Out (mn)	US\$4,890 / 2,180.1
Average Daily Volume	3,504,435
BofAML Ticker / Exchange	XADPF / BSE
Bloomberg / Reuters	ADANI IN / ADAN.BO
ROE (2010E)	4.4%
Net Dbt to Eqty (Mar-2009A)	188.6%
Est. 5-Yr EPS / DPS Growth	47.7% / NA
Free Float	26.5%

iQprofileSM Adani Power Ltd.

Key Income Statement Data (Mar)	2008A	2009A	2010E	2011E	2012E
(Rs Millions)					
Sales	0	0	5,037	27,281	82,652
Gross Profit	0	(55)	3,127	14,731	52,614
Sell General & Admin Expense	NA	NA	NA	NA	NA
Operating Profit	0	(55)	2,742	12,981	46,709
Net Interest & Other Income	0	0	(573)	(2,457)	(10,365)
Associates	NA	NA	NA	NA	NA
Pretax Income	0	(55)	2,170	10,524	36,344
Tax (expense) / Benefit	0	0	(369)	(1,789)	(6,505)
Net Income (Adjusted)	0	(50)	1,801	8,735	28,227
Average Fully Diluted Shares Outstanding	552	1,842	2,180	2,180	2,180

Key Cash Flow Statement Data

Net Income	0	(50)	1,801	8,735	28,227
Depreciation & Amortization	0	0	385	1,750	5,905
Change in Working Capital	2,598	(1,142)	(1,789)	(644)	47
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	0	(6)	0	0	1,611
Cash Flow from Operations	2,598	(1,198)	397	9,841	35,790
Capital Expenditure	(24,633)	(44,623)	(99,062)	(113,657)	(109,182)
(Acquisition) / Disposal of Investments	(532)	532	(408)	0	0
Other Cash Inflow / (Outflow)	0	0	0	0	0
Cash Flow from Investing	(25,166)	(44,091)	(99,471)	(113,657)	(109,182)
Shares Issue / (Repurchase)	13,913	8,526	33,935	0	0
Cost of Dividends Paid	NA	NA	NA	NA	NA
Cash Flow from Financing	23,992	48,953	122,037	89,950	80,259
Free Cash Flow	(22,035)	(45,821)	(98,665)	(103,816)	(73,392)
Net Debt	8,191	44,311	107,976	209,439	280,507
Change in Net Debt	8,687	36,121	63,664	101,464	71,068

Key Balance Sheet Data

Property, Plant & Equipment	24,634	69,257	167,934	279,841	383,118
Other Non-Current Assets	0	0	0	0	0
Trade Receivables	0	0	105	2,272	3,638
Cash & Equivalents	1,921	5,585	28,549	14,683	21,550
Other Current Assets	2,295	4,163	1,073	1,974	4,456
Total Assets	28,850	79,006	197,662	298,770	412,763
Long-Term Debt	10,112	49,897	136,214	223,615	302,057
Other Non-Current Liabilities	NA	NA	NA	NA	NA
Short-Term Debt	0	0	311	508	0
Other Current Liabilities	4,361	5,620	437	2,860	6,755
Total Liabilities	14,472	55,516	136,961	226,983	308,813
Total Equity	14,377	23,490	60,700	71,787	103,950
Total Equity & Liabilities	28,850	79,006	197,662	298,770	412,763

iQmethodSM - Bus Performance*

Return On Capital Employed	NA	-0.1%	1.7%	4.8%	11.2%
Return On Equity	0%	-0.3%	4.4%	13.9%	34.7%
Operating Margin	NA	NA	54.4%	47.6%	56.5%
EBITDA Margin	NA	NA	62.1%	54.0%	63.7%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	NA	NM	0.2x	1.1x	1.3x
Asset Replacement Ratio	NA	NA	NM	NM	18.5x
Tax Rate (Reported)	NA	NM	17.0%	17.0%	17.9%
Net Debt-to-Equity Ratio	57.0%	188.6%	177.9%	291.7%	269.8%
Interest Cover	NA	NA	4.8x	3.6x	4.1x

Key Metrics

* For full definitions of iQmethodSM measures, see page 5.

Company Description

Adani Power (a subsidiary of Adani Enterprises) is engaged in development and operation of a 4620MW Thermal Power Project (TPP) at Mundra, Gujarat. It is also developing a 3300MW TPP at Tiroda, Maharashtra (through its subs. Adani Power Maharashtra Ltd) and 1320MW TPP at Kawai (through its subs. Adani Power Rajasthan Ltd). It has also plan to develop 3300MW as expansion of Mundra and 2640MW TPP at Dahej (through its subsidiary Adani Power Dahej Ltd).

Investment Thesis

Adani Power is a Buy rating given (1) a fourteen-fold scale-up in capacity by FY14E via an unregulated business model (no cap on RoE) and (2) visibility of 16x EPS over FY10-12E led by 77% power pre-sold at attractive tariff and secured fuel/funding. Our thesis is backed by its competitive advantages of healthy tariffs, low cost & committed fuel supplies as well as location advantage and balanced model.

Stock Data

Price to Book Value 3.9x

Price objective basis & risk

Adani Power Ltd. (XADPF)

Our PO of Rs131 is based on Sum-of-the-part valuation basis. We have valued the Parent capacity of 4620MW Mundra project at Rs55 per share based on DCF. We have valued the 74% stake in 3300MW Tiroda project at Rs67 per share on DCF basis. The 100% stake in 1320MW Kawai project is valued at Rs9 per share on DCF basis. Key Risks: Project execution, financing, imported coal exposes it to potential country, currency and freight risks, Chinese labour, denial of SEZ benefits, Infra bottleneck and fall in power rates on potential match of demand-supply of power in India.

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India - Engineering/Construction/Utilities Coverage Cluster

Investment rating	Company	BofAML ticker	Bloomberg symbol	Analyst
BUY	Adani Power Ltd.	XADPF	ADANI IN	Bharat Parekh
	Bharat Heavy	BHHEF	BHEL IN	Bharat Parekh
	Gujarat State Petronet Ltd	GJRSE	GUJS IN	Vidyadhar Ginde
	GVK Power & Infrastructure Ltd.	GVPWF	GVKP IN	Manish Sarawagi
	IVRCL Infrastruc	IIFRF	IVRC IN	Bharat Parekh
	Jaiprakash	JPRKF	JPA IN	Bharat Parekh
	Jaiprakash Power Ventures Ltd.	XJSHF	JPVL IN	Bharat Parekh

09 February 2010

India - Engineering/Construction/Utilities Coverage Cluster

Investment rating	Company	BofAML ticker	Bloomberg symbol	Analyst
	Lanco Infratech Ltd.	LNIFF	LANCI IN	Manish Sarawagi
	Larsen & Toub -G	LTORF	LTOD LI	Bharat Parekh
	Larsen & Toubro	LTOUF	LT IN	Bharat Parekh
	Mundra Port SEZ	XMANF	MSEZ IN	Bharat Parekh
	Nagarjuna Const	NGRJF	NJCC IN	Bharat Parekh
	NCC-GDR	XAKUF	NJGR LX	Bharat Parekh
	Reliance Infrastructure	RCTDF	RELI IN	Bharat Parekh
NEUTRAL				
	Gujarat Inds	GUJIF	GIP IN	Bharat Parekh
	Neyveli Lignite	NEYVF	NLC IN	Bharat Parekh
	Tata Pwr. Co.	XTAWF	TPWR IN	Bharat Parekh
UNDERPERFORM				
	ABB	ABVFF	ABB IN	Bharat Parekh
	Gail India	XGLAF	GAIL IN	Vidyadhar Ginde
	Gail Limited - G	GAILF	GAID LI	Vidyadhar Ginde
	GMR Infrastructure Ltd.	GMRLF	GMRI IN	Manish Sarawagi
	NTPC Ltd	NTHPF	NATP IN	Bharat Parekh
	Suzlon Energy	SZEYF	SUEL IN	Bharat Parekh
RVW				
	Indraprastha Gas	IAGSF	IGL IN	Vidyadhar Ginde

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales} + \text{Other LT Liabilities}$	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

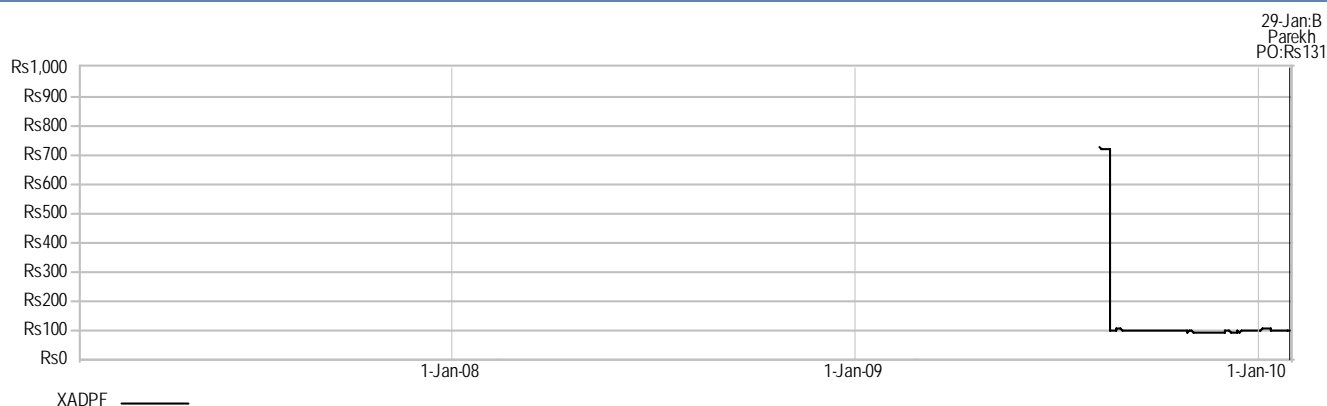
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XADPF Price Chart



B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

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Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	70	41.18%	Buy	45	70.31%
Neutral	48	28.24%	Neutral	24	54.55%
Sell	52	30.59%	Sell	17	37.78%

Investment Rating Distribution: Global Group (as of 01 Jan 2010)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1699	50.78%	Buy	904	58.82%
Neutral	841	25.13%	Neutral	491	65.03%
Sell	806	24.09%	Sell	368	49.80%

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