

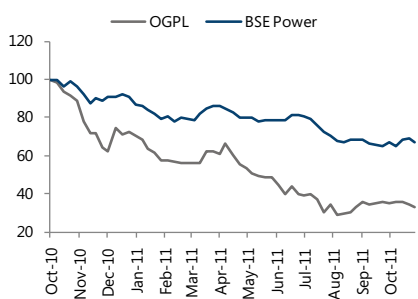
First Cut – Q2FY12

BUY

Reco	Maintained
CMP	₹ 14
Target Price	₹ 25
Upside Potential	78%

Price Performance

52 wk Hi/Lo	40/11
All time Hi/Lo	47/11
6 month Average Vol	721959
Stock Beta	0.89



Valuation

	FY10	FY11	FY12P
P/E (x)	-	56.88	9.58
P/BV (x)	0.91	0.49	0.46
RONW (%)	-4.6%	1.1%	5.4%
ROCE (%)	-2.4%	4.2%	4.5%

Peer Valuation (FY12)

	TPL	NTPC
PE	10.8	13.2
P/BV	1.8	1.9

Equity Data

Market Cap. (₹ bln)	6.5
Face value (₹)	10
No of shares o/s (mln)	468

	5-Oct-11	Sep'11	%Δ
Promoters	56.07	56.07	0.00
DFI's	17.00	11.24	-33.88
FII's	17.96	10.70	-40.42
Public	8.97	21.99	145.15

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Orient Green Power (OGPL)

Operationally a better Quarter..

OGPL's Q2FY12 results were broadly in line with our estimates at the operational level. Sales came in at ₹ 705mln vs. our expectations of ₹ 773mln. EBIDTA was up 11% at ₹ 374mln (vs. expectations of ₹ 397mln). However PAT at ₹ 20mln was way below our expectations of ₹ 79mln, explained by higher than expected rise in interest, depreciation and minority interest costs.

Top line improves but could have been better

The overall Top line came in at ₹ 705mln (vs. expectation of ₹ 773mln) was up 9% (y-o-y) and 13% (q-o-q) on the back of improved capacity utilization and capacity addition. The PLFs and average realization clocked by the Wind/Biomass Plants stood at 27%/39% and ₹ 4.18/4.42. The management has indicated the wind capacity utilization could have improved by 200-300 bps had the grid availability been better. Within the biomass space sales in Rajasthan plant was hampered by heavy monsoons. The Tamil-Nadu biomass plant also continues to operate at suboptimal utilization levels as TN SEB's have been facing financial constraints.

EBIDTA Margins improve by 94bps

EBIDTA at ₹ 374mln (up 11% y-o-y & 38% q-o-q) was slightly below our estimates of ₹ 397mln. The EBIDTA margins at 53% was also up 94 bps (y-o-y) and 963 bps (q-o-q) largely due to the higher share of wind sales in the mix. The O&M Costs/Unit for the wind/Biomass Plants stood at ₹ 0.59/1.24.

PAT below Estimates

We believe lower than optimal utilization within the biomass plants has resulted in under recoveries and hence depreciation and interest costs are hurting the P&L. PAT at ₹ 20mln was below our estimates of ₹ 79mln.

Capacity Addition

During FY12 OGPL has synchronized 80 MW of Capacity split between 70MW of wind and 10MW of Biomass, taking its total capacity to 300MW. For the rest of the year management expects to commission a further 145MW taking its year end capacity to 445MW.

Valuation and MSFL View

Operationally Q2FY12 was one of the best quarters since Listing; however we remain concerned on biomass plants within the portfolio and await management guidance and strategy on capacity addition and utilization for both the wind and biomass plants. We would be updating our estimates post the conference call. Currently we value OGPL at ₹ 25 at which it would trade at 9.68x P/E and 0.79x P/B of its expected FY13 EPS and BV.

Summary Financials

₹ in Mln	FY10	FY11	FY12P	FY13P
Net Sales	562	2093	4383	8829
OPBDIT	-5	898	2055	5114
Net Profit	-137	92	597	1283
EPS	-0.49	0.23	1.15	2.58
Net Worth	3976	12620	13158	14366
Debt	4198	8026	36364	38850
Fixed Assets	10098	17862	46300	46443
Net Current Assets	-2287	-265	3183	6864

Exhibit 1: Quarterly Financials

Particulars (₹ in mln)	Q2 FY12A	Q2 FY11	Y-o-Y (%)	Q1 FY12A	Q-o-Q (%)
Sales	705	648	9%	622	13%
Total Expenditure	331	310	7%	352	-6%
EBIDTA	374	338	11%	270	38%
EBIDTA Margin (%)	53%	52%	94 bps	43%	963 bps
Depreciation	145	107	35%	112	30%
EBIT	229	230	-1%	158	45%
Interest Cost	197	112	76%	176	12%
Operating Profit	32	118	-73%	-18	-279%
Other Income	68	6	1004%	103	-34%
Extraordinary Items	0	0		0	
PBT	100	125	-20%	85	17%
Tax	60	54	12%	42	43%
PAT	20	87	-77%	35	-43%
PAT Margin (%)	3%	13%	-1063 bps	6%	-277 bps
EPS	0.04	0.32	-86%	0.07	-43%

Source: Company, MSFL Research

Financial Summary

Profit & Loss

Particulars (₹ in mln)	2009	2010	2011	2012P	2013P
Sales	121	562	2093	4383	8829
Total Expenditure	167	567	1195	2327	3715
EBIDTA	-45	-5	898	2055	5114
EBIDTA Margin (%)	-37.5%	-0.9%	42.9%	46.9%	57.9%
Depreciation	15	86	420	658	1711
EBIT	-61	-91	478	1397	3403
Interest cost	32	110	585	648	1674
Operating Profit	-93	-202	-107	750	1728
Other Income	2	70	302	91	79
Extraordinary Item	0	0	0	0	0
PBT	-91	-132	195	841	1807
Current Tax	-12	5	103	244	524
PAT (before Minority Interest)	-80	-137	92	597	1283
Minority Interest	0	-3	-16	60	75
PAT	-80	-134	108	537	1208
PAT Margin (%)	-66%	-24%	4%	14%	15%
EPS	-1.97	-0.49	0.23	1.15	2.58
Sales Growth (%)		364%	272%	109%	101%
EBITDA Growth (%)	279%	-88%	-17197%	129%	149%
PAT Growth (%)	581%	72%	-167%	553%	115%

Balance Sheet

Particulars (₹ in mln)	2009	2010	2011	2012P	2013P
Sources of Funds					
Share Capital	404	2766	4681	4681	4681
Reserves & Surplus	1612	1210	7940	8477	9685
Networth	2016	3976	12620	13158	14366
Secured Loans	547	3198	7186	30364	29850
Unsecured Loans	0	1000	840	6000	9000
Total Loans	547	4198	8026	36364	38850
Deferred Tax Liability	0	0	58	83	137
Minority Interest	14	163	360	420	495
TOTAL	2684	8336	21064	50025	53849

Application of Funds

Net Fixed Assets	998	10098	17862	46300	46443
Investment	0	0	2925	0	0
Current Assets	1593	1347	3897	3566	7169
Current Liabilities	80	3633	4162	383	305
Net Current Assets	1513	-2287	-265	3183	6864
Misc Expense not w/o	120	123	542	542	542
TOTAL	2684	8336	21064	50025	53849

Cash Flows

Particulars (₹ in mln)	2009	2010	2011	2012P	2013P
PBT	-91	-132	195	841	1807
Depreciation	15	86	420	748	1711
Working Capital Changes	-700	3946	-501	-3696	-713
Current Tax	0	6	0	219	470
Operating Cash Flow	-776	3895	114	-2325	2335
Capex	985	9783	11290	26261	1854
Free Cash Flow	-1761	-5889	-11176	-28586	481
Cash Flow / Share	-44	-21	-24	-61	1
Inc/(Dec) in Investments					
Cash flow from Investment	985	9783	11290	26261	1854
Dividend/dividend tax	0	0	0	0	0
Increase in Equity Cap	359	2254	9000	0	0
Other adjust (reserves)	0	0	0	0	0
Change in Share Premium	0	0	0	0	0
Inc/Dec in loan funds	455	3651	3828	28338	2486
Inc/Dec in Def tax liability	0	0	0	0	0
Cash flow from Financing	814	5905	12828	28338	2486
Net Change	-947	16	1652	-248	2967

Ratios

Valuation Ratio	2009	2010	2011	2012P	2013P
P/E	-7.91	-31.99	67.52	13.55	9.68
P/BV	0.31	1.08	0.58	0.55	0.81
EV/EBIDTA	-22.56	-1589.26	15.40	20.67	9.09
EV/Sales	8.47	14.86	6.61	9.69	5.27
Dividend Yield (%)	0%	0%	0%	0%	0%
EPS	-1.97	-0.49	0.23	1.15	2.58
DPS	0.00	0.00	0.00	0.00	0.00
Book Value	49.85	14.37	26.96	28.11	30.69
Adj. ROE	-5.73%	-4.57%	1.10%	4.63%	9.33%
Adj. ROCE	-3.67%	-2.37%	4.20%	3.57%	5.41%

Solvency Ratio (x)

Debt/Equity	0.3	1.1	0.6	2.8	2.7
Debt/EBIDTA	-12.0	-798.8	8.9	17.7	7.6

Turnover Ratio (x)

Asset Turnover	0.06	0.08	0.12	0.12	0.17
Current Ratio	3.2	4.9	3.9	2.5	2.2
Inventory (days)	185	257	234	43	39
Debtors (days)	47	242	75	45	45
Creditors (days)	152	2326	1263	60	30

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Key ratings:

Rating	Expected Return
Buy	> 15%
Accumulate	5 to 15%
Hold	-5 to 5%
Sell	< -5%
Not Rated	-

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