

PAT +2.6x on full benefit of Hydro; best is yet to come

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1Q Rec PAT +163% on higher merchant sale & MAT credit; Buy

JP Power 1QFY13 Rec. PAT at Rs1.8bn grew 163%YoY (+24% BofAMLe) led by a) 343%YoY growth in merchant volume on full benefit of 1.2GW Karcham Hydro power (KHP) and +24%YoY higher merchant ASP (Rs3.60/kWh) and b) lower tax on recognition of Rs391mn of MAT credit entitlement. 1Q PAT accounts for 36% of our FY13E PAT and we think best is yet to come in 2Q. Catalyst for FY13 is full benefit of KHP and start of 2x250MW Bina plant in 2/3Q and on-time execution of mines and attached Nigree project. JP Power has UPF BSE power index 11%YTD and Sensex by 15% on stake sale by promoters'. JP Power is our Utility top-pick as we believe it offers compelling & diversified model across: fuel mix, regulated vs merchant mix and locations. **Risks:** Shift to part-PPA vs 100% merchant at KHP and any cap. on returns from captive coal mine projects.

Volume +56%; Merchant ASP Rs3.6 = PAT 2.6x

JP's generation at 2.2bn kWh +56%YoY led by 340% growth in generation at 1.2GW KHP on +2x capacity and full utilization. This was partly offset by weak generation at Baspa II (-23%) and Vishnuprayag HEP (-14%) on lower water availability which led to 27%YoY fall in regulatory sales (Baspa II -38%YoY and Vishnuprayag -9%). Average ASP +27%YoY on sale of 1.1bn kWh (+343%YoY) from KHP @ ASP of Rs3.60/kWh (+24%YoY).

Capacity +26% in FY13 and 3x by FY15; 10GW - 5x by FY20

JP Power offers a diversified model: fuel mix (hydro 43%: thermal 57%), regulated vs. merchant mix (50:50) and located across north, central and north east (53:18:21) regions of India. **Risks:** Hydrology, back-loaded FCF, equity funding required in FY14-15E, rising exposure to merchant power and delivery of coal-linkages at Bina and Bara projects.

Estimates (Mar)

(Rs)	2011A	2012A	2013E	2014E	2015E
Net Income (Adjusted - mn)	1,720	3,995	5,903	9,296	15,046
EPS	0.655	1.52	2.25	3.54	5.51
EPS Change (YoY)	-43.3%	132.3%	47.8%	57.5%	55.5%
Dividend / Share	0	0	0	0	0
Free Cash Flow / Share	(29.13)	(17.43)	(15.25)	(14.73)	(10.13)
Return on Equity	4.0	7.5	10.5	15.2	19.9

Valuation (Mar)

	2011A	2012A	2013E	2014E	2015E
P/E	51.59x	22.21x	15.03x	9.54x	6.14x
Dividend Yield	0%	0%	0%	0%	0%
EV / EBITDA*	50.95x	21.58x	13.12x	8.65x	5.69x
Free Cash Flow Yield*	-86.19%	-51.58%	-45.11%	-43.57%	-31.21%
Price/Book Value	1.7	1.6	1.5	1.4	1.0

* For full definitions of *iQmethod*SM measures, see page 13.

Stock Data

Price	Rs33.80
Price Objective	Rs58.00
Date Established	5-Feb-2012
Investment Opinion	C-1-9
Volatility Risk	HIGH
52-Week Range	Rs31.20-Rs49.80
Mrkt Val / Shares Out (mn)	US\$1,607 / 2,624.8
Market Value (mn)	Rs88,717
Average Daily Volume	817,181
BofAML Ticker / Exchange	XJSHF / BSE
Bloomberg / Reuters	JPVL IN / JAPR.BO
ROE (2013E)	10.5%
Net Dbt to Eqty (Mar-2012A)	299.0%
Est. 5-Yr EPS / DPS Growth	35.0% / 1.5%
Free Float	12.3%

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Refer to important disclosures on page 14 to 16. Analyst Certification on Page 11. Price Objective Basis/Risk on page 11. Link to Definitions on page 11.11186151

23 July 2012

iQprofileSM Jaiprakash Power Ventures Ltd.

Key Income Statement Data (Mar)

	2011A	2012A	2013E	2014E	2015E
(Rs Millions)					
Sales	7,369	16,156	29,726	49,033	79,298
Gross Profit	6,857	15,229	24,636	37,041	55,917
Sell General & Admin Expense	(689)	(670)	(690)	(699)	(708)
Operating Profit	5,219	12,248	19,729	29,302	44,426
Net Interest & Other Income	(3,083)	(7,629)	(12,200)	(17,536)	(25,555)
Associates	NA	NA	NA	NA	NA
Pretax Income	2,136	4,619	7,529	11,766	18,871
Tax (expense) / Benefit	(412)	(621)	(1,508)	(2,355)	(3,709)
Net Income (Adjusted)	1,720	3,995	5,903	9,296	15,046
Average Fully Diluted Shares Outstanding	2,625	2,625	2,625	2,625	2,732

Key Cash Flow Statement Data

	2011A	2012A	2013E	2014E	2015E
Net Income	1,720	3,995	5,903	9,296	15,046
Depreciation & Amortization	949	2,312	4,217	7,040	10,783
Change in Working Capital	11,291	(13,286)	6,922	(1,490)	(4,406)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	4,126	8,340	12,749	17,889	26,250
Cash Flow from Operations	18,086	1,360	29,791	32,734	47,674
Capital Expenditure	(94,551)	(47,119)	(69,808)	(71,389)	(75,363)
(Acquisition) / Disposal of Investments	(15,859)	0	0	0	0
Other Cash Inflow / (Outflow)	10,276	(9)	1	0	0
Cash Flow from Investing	(100,134)	(47,128)	(69,807)	(71,389)	(75,363)
Shares Issue / (Repurchase)	5,291	0	0	0	1,075
Cost of Dividends Paid	0	0	0	0	0
Cash Flow from Financing	78,458	32,679	35,835	36,307	38,840
Free Cash Flow	(76,464)	(45,759)	(40,017)	(38,655)	(27,690)
Net Debt	111,177	165,469	220,774	279,753	325,624
Change in Net Debt	68,934	54,291	55,305	58,979	45,871

Key Balance Sheet Data

	2011A	2012A	2013E	2014E	2015E
Property, Plant & Equipment	149,425	194,252	259,843	324,193	388,773
Other Non-Current Assets	19,859	19,861	19,859	19,859	19,859
Trade Receivables	1,557	4,304	3,758	4,706	5,884
Cash & Equivalents	22,281	9,193	5,011	2,663	13,813
Other Current Assets	4,799	27,454	14,687	16,227	17,943
Total Assets	197,921	255,063	303,159	367,647	446,273
Long-Term Debt	133,459	174,661	225,785	282,416	339,438
Other Non-Current Liabilities	3,130	3,921	3,921	3,921	3,921
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	9,018	21,134	14,744	15,741	14,230
Total Liabilities	145,607	199,716	244,450	302,078	357,588
Total Equity	52,314	55,347	58,709	65,570	88,684
Total Equity & Liabilities	197,921	255,063	303,159	367,647	446,273

iQmethodSM - Bus Performance*

	2011A	2012A	2013E	2014E	2015E
Return On Capital Employed	3.4%	5.3%	6.2%	7.4%	9.2%
Return On Equity	4.0%	7.5%	10.5%	15.2%	19.9%
Operating Margin	70.8%	75.8%	66.4%	59.8%	56.0%
EBITDA Margin	83.7%	90.1%	80.6%	74.1%	69.6%

iQmethodSM - Quality of Earnings*

	2011A	2012A	2013E	2014E	2015E
Cash Realization Ratio	10.5x	0.3x	5.0x	3.5x	3.2x
Asset Replacement Ratio	NM	20.4x	16.6x	10.1x	7.0x
Tax Rate (Reported)	19.3%	13.4%	20.0%	20.0%	19.7%
Net Debt-to-Equity Ratio	212.5%	299.0%	376.0%	426.7%	367.2%
Interest Cover	1.3x	1.5x	1.6x	1.6x	1.7x

Key Metrics

* For full definitions of iQmethodSM measures, see page 13.

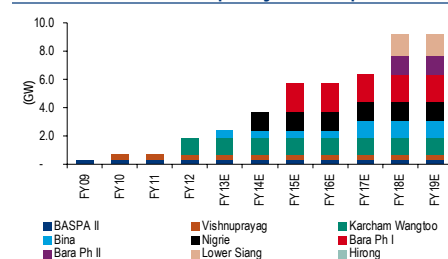
Company Description

Jaiprakash Power Ventures, formerly Jaiprakash Hydro Power, (a subsidiary of Jaiprakash Associates, JPA) commissioned India's first mega hydropower plant in the private sector, Baspa II of 300MW in June 2003, on build-own-operate-transfer (BOOT) terms, for 40 years. Currently it has capacity of 1900MW in operation. It has concessions of 13210MW capacity to be implemented by FY20E.

Investment Thesis

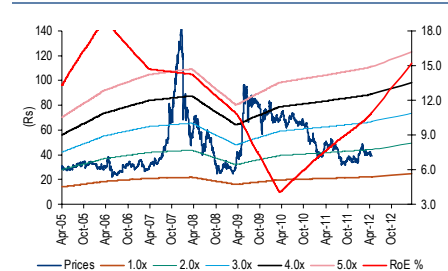
JP Power will be transformed as a growth utility with visible scale-up of capacity to 9.7GW by FY20E based on the pipeline of concessions. We expect JP Power to emerge as one of the top 10 IPPs in India by FY20E with diversified business model across: fuel - Hydro: thermal mix of 43:57, regulated v/s merchant mix of 50:50 and capacity spread across north: central: North East of 53:18:21.

Chart 1: JP Power: Capacity Scale-up



Source: Company, BofA Merrill Lynch Global Research

Chart 2: JP Power - P/BV Band and RoE



Source: Bloomberg, BofA Merrill Lynch Global Research

Stock Data

Price to Book Value 1.5x

Table 1: JPVL (Parent) - 1QFY13 Results Review

(Rs mn)	1QFY12	1QFY13	%YoY
Capacity (MW)	1,300	1,900	46.2%
Gross Generation (mn kWh)	1,397	2,182	56.1%
Saleable Energy (mn kWh)	1,214	1,893	55.9%
Reg. / PPA Volume	964	787	-18.4%
Merchant Volume	250	1,106	342.8%
Sales Volume (mn kWh)	1,214	1,893	55.9%
Reg. / PPA Sales	2,020	1,469	-27.3%
- Rs/kWh	2.09	1.87	-10.9%
Merchant Sales	728	3,982	446.9%
- Rs/kWh	2.91	3.60	23.5%
Net Sales	2,748	5,451	98.4%
- Rs/kWh	2.26	2.88	27.2%
Sale of VERs	5	3	-46.2%
Total Op. Income	2,753	5,454	98.1%
- Rs/kWh	2.27	2.88	27.0%
O&M	89	297	234.3%
- % of net sales	3.2%	5.4%	222bps
- Rs/kWh	0.07	0.16	114.4%
Employee Cost	87	107	23.0%
- % of net sales	3.2%	2.0%	-120bps
- Rs/kWh	0.07	0.06	-21.1%
Admin & Other Expenses	110	150	36.1%
- % of net sales	4.0%	2.7%	-125bps
- Rs/kWh	0.09	0.08	-12.7%
Total Expenses	286	554	93.6%
- % of net sales	10.4%	10.1%	-23bps
- Rs/kWh	0.24	0.29	24.2%
EBITDA	2,467	4,900	98.6%
EBITDA Margin	89.6%	89.9%	23bps
- Rs/kWh	2.03	2.59	27.4%
Depreciation	355	674	89.8%
- Rs/kWh	0.29	0.36	21.7%
EBIT	2,112	4,226	100.1%
EBIT Margin	76.7%	77.5%	77bps
- Rs/kWh	1.74	2.23	28.3%
Interest & Financial Charges	1,330	2,278	71.3%
- Rs/kWh	1.10	1.20	9.8%
Other Income	87	91	5.4%
- Rs/kWh	0.07	0.05	-32.4%
PBT	869	2,039	134.7%
PBT Margin	31.6%	37.4%	584bps
- Rs/kWh	0.72	1.08	50.5%
Total Tax	173	210	21.1%
Effective Tax Rate	19.9%	10.3%	-965bps
- Rs/kWh	0.14	0.11	-22.3%
Rec PAT	696	1,830	163.0%
Rec PAT Margin	25.3%	33.5%	828bps
- Rs/kWh	0.57	0.97	68.7%
Extraordinary Item, net of tax	0	0	0.0%
Rep PAT	696	1,830	163.0%

Source: Company, BofA Merrill Lynch Global Research

Gross Generation 2.2bn kWh +56%YoY on ... +340%YoY generation at Karcham HEP on +2x capacity (1200GW vs 600MW) & full utilisation ...

.. offset by weak generation at Baspa II - 23% & Vishnuprayag -14% on lower water availability .. which led Reg sales fell 27%YoY

.. while +343% merchant volume & +24%YoY merchant realization led overall sales +98%YoY

PBT grew by 135%YoY...

While lower tax on recognition of Rs391mn of MAT credit entitlement led Rec PAT +163%YoY...

Catalysts for FY13:

- 1) Full benefit of the Karcham Wangtoo HEP
- 2) start of the 2x250MW Bina plant in 2/3Q and
- 3) On-time execution of the Nigrie captive coal based project and linked mines.

Execution is picking-up (Table 2 & Table 3) - start of 1.2GW KW HEP in 1HFY12 and BTG for 100% of thermal capacity under-construction are ordered.

Risks: 1) Back-loaded cash-flow, need for equity in FY14-15E, 2) rising exposure to merchant power, 3) commercial selling arrangement at Karcham Wangtoo, and 3) any cap on returns from the captive coal-mine projects and delivery of coal-linkages at the Bina and Bara projects.

Table 2: JP Power: Project Status summary

Project	Cap. (MW)	Op. Status	Fin Clos.	Land Acq.	Water Avail.	Environment Clearance	EPC Order	Equipment Supplier	Fuel Supply	Fuel Source	Reg. (MW)	Merch. (MW)	Offtake Arrangement
BASPA II	300	√	√	√	√	√	√	VA Tech (Austria), Voith (Germany), Alstom (France)	NA	NA	300	0	HPSEB - 12% Free & 100% saleable at regulated rate
Vishnuprayag	400	√	√	√	√	√	√	Alstom (France)	NA	NA	400	0	UPPCL - 12% Free & 100% saleable at regulated rate
Karcham Wangtoo	1,000	√	√	√	√	√	√	VA Tech (Austria), Voith (Germany), Areva (France)	NA	NA	0	1,000	HPSEB - 12% Free upto 12yrs & 18% onwards & Merchant - 100%
Bina Ph - I	500	X	√	√	√	√	√	BHEL (India)	√ (FSA to be executed)	Coal Linkage	350 *	150 *	GoMP - 70% (incl. 5% at variable cost) - (Fuel cost pass thru) & Merchant - 30%
Bina Ph - II	750	X	X	√	√	Approval for ToR granted by MoEF	X	NA	Linkage applied for	Coal Linkage	450 *	250 *	NA
Nigrie	1,320	X	√	√	√	√	√	L&T-MHI (India / Japan)	√	Captive Coal	660 *	660 *	GoMP - 37.5% (incl. 7.55% at variable cost), Others - 12.5% - (Fuel cost pass thru) & Merchant - 50%
Bara Ph I	1,980	X	√	√	√	√	√	BHEL (India), Alstom (France), Siemens (Germany)	√ (FSA to be executed)	Coal Linkage	1782 *	198 *	GoUP - 90% (Fuel cost pass thru) & Merchant 10%
Bara Ph II	1,320	X	X	√	√	Applied to MoEF	X	NA	Linkage applied for	Coal Linkage	264 *	1056 *	GoUP - 20% (Fuel cost pass thru) & Merchant 80%
Karchana Ph I ^	1,320	√	√	√	√	√	√	L&T-MHI (India / Japan)	√	Coal Linkage	1188 *	132 *	GoUP - 90% (Fuel cost pass thru) & Merchant 10%
Karchana Ph II ^	660	X	X	X	√	X	√	L&T-MHI (India / Japan)	X	Coal Linkage	132 *	528 *	GoUP - 20% (Fuel cost pass thru) & Merchant 80%
Lower Siang Ph I	1,500	X	X	X	√	Approval for preconstruction	X	NA	NA	NA	750 *	750 *	GoArP - 12% Free for 10yrs & 15% onwards
Lower Siang Ph II	1,200	X	X	X	√	Approval for preconstruction	X	NA	NA	NA	600 *	600 *	GoArP - 12% Free for 10yrs & 15% onwards
Hirong	500	X	X	X	√	Approval for preconstruction	X	NA	NA	NA	250 *	250 *	GoArP - 12% Free for 10yrs & 15.5% onwards
Kyunshi II	450	X	X	X	X	X	X	NA	NA	NA	225 *	225 *	Govt of Meghalaya - 13% Free
Umngot I	270	X	X	X	X	X	X	NA	NA	NA	135 *	135 *	Govt of Meghalaya - 13% Free
Total	13,470										7,486	5,934	

Source: Company, BofA Merrill Lynch Global Research, * Management Estimates, ^ Karchana is on hold due to land acquisition issues

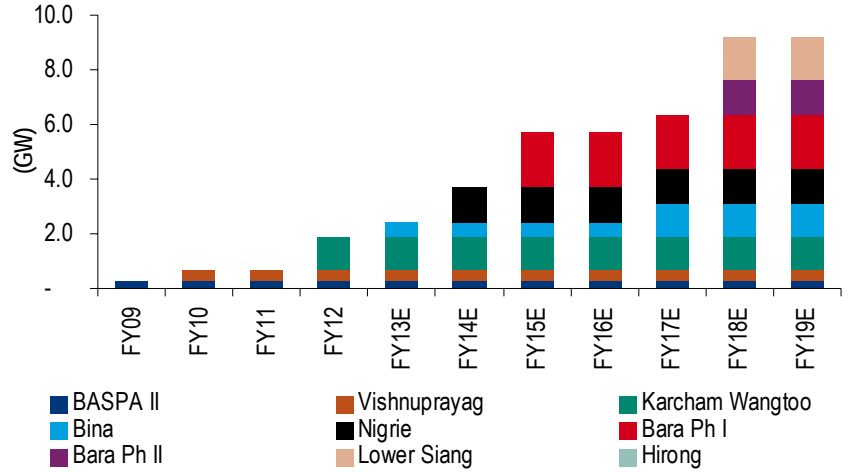
Table 3: JP Power: Project Stages

Stage	Stage Description	Projects	Capacity (MW)	% of Total Capacity
Stage 9 O & M		Baspa, Vishnuprayag, Karcham Wangtoo	1900	18%
Stage 8 Commissioning		Bina	500	5%
Stage 7 Erection, Testing		Bina	500	5%
Stage 6 Construction		Bina, Nigrie, Bara	5280	51%
Stage 5 Project Funding		Lower Siang	1500	14%
Stage 4 Design & Engineering			0	0%
Stage 3 Environment Clearance		Lower Siang, Hirong	2000	19%
Stage 2 Detailed Project Report			0	0%
Stage 1 Feasibility Study		Meghalaya Projects	720	7%
Total			10,400	

Source: Company, BofA Merrill Lynch Global Research

To capitalize on power deficit, JPVL to scale up its power capacity 5x to 9.7GW by FY20E

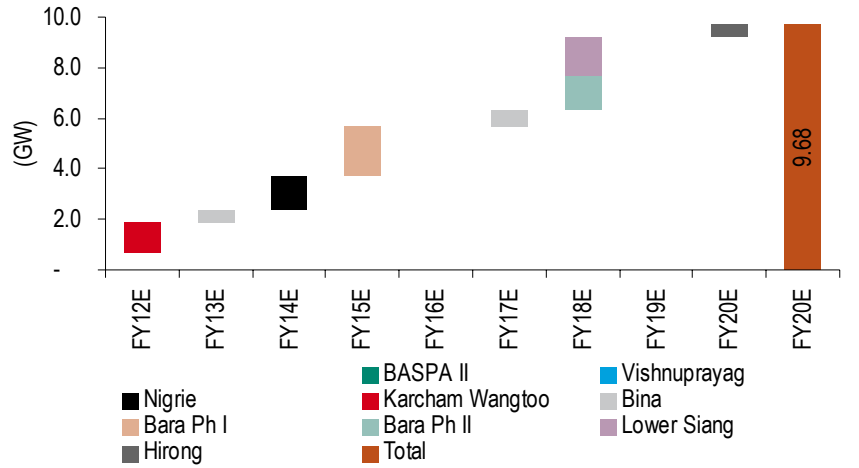
Chart 3: JP Power: Capacity Scale-up



Source: Company, BofA Merrill Lynch Global Research

We factor-in about 9.7GW of the capacity addition by FY20E and are yet to value 3.9GW of capacity, pending visibility,...

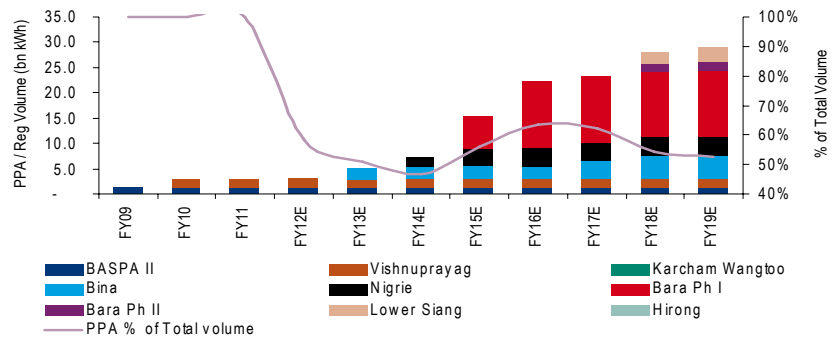
Chart 4: JP Power: Capacity Addition



Source: BofA Merrill Lynch Global Research

...which will materially scale up its volume in profitable regulatory markets...

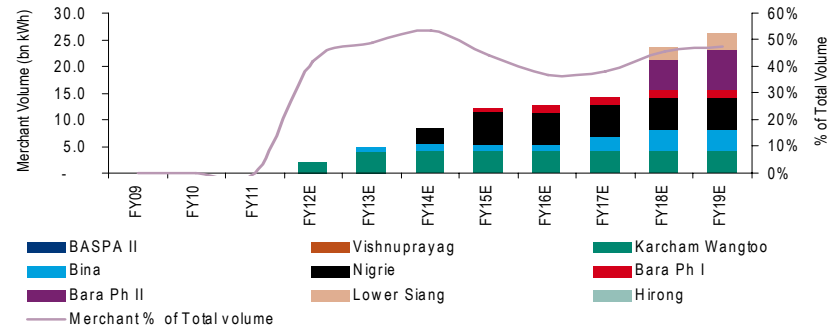
Chart 5: JP Power: PPA / Regulatory Volume



Source: Company, BofA Merrill Lynch Global Research

...and highly profitable merchant markets, even after assuming a modest merchant prices from FY13E

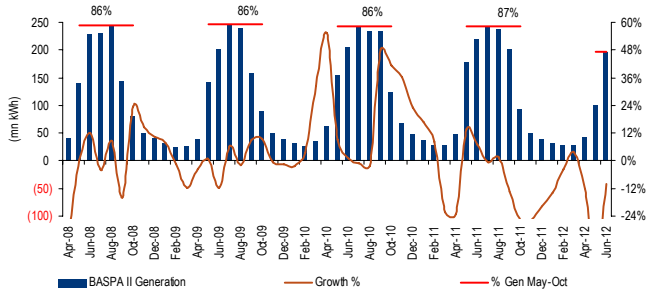
Chart 6: JP Power: Merchant Volume



Source: Company, BofA Merrill Lynch Global Research

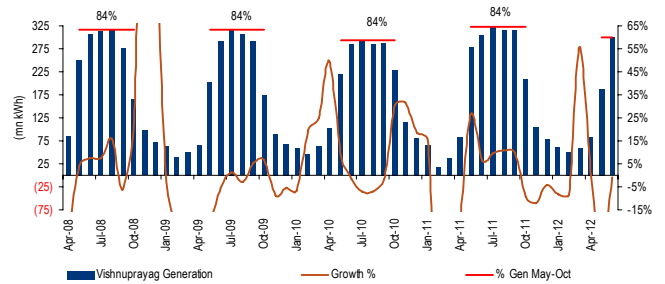
JPVL's core strength is 25-30% RoE earned on commissioned regulatory hydro projects and c.25-30% RoE, likely on the new hydro capacity on merchant, even after assuming a 10-20% fall in tariff

Chart 7: BASPA II: Monthly Generation and Growth



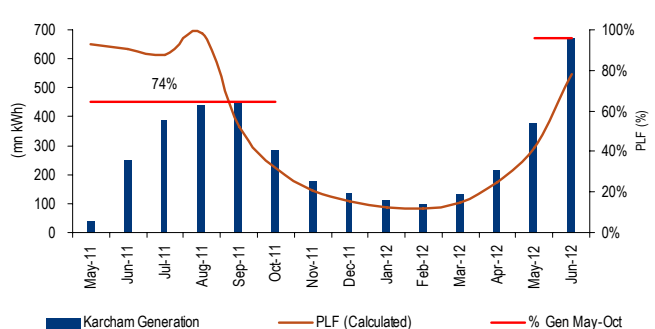
Source: Ministry of Power

Chart 8: Vishnuprayag: Monthly Generation and Growth



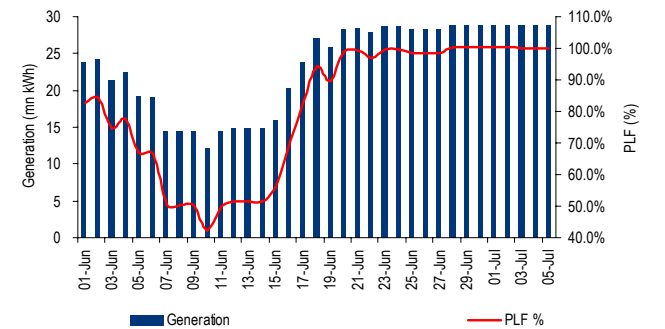
Source: Ministry of Power

Chart 9: Karcham: Monthly Generation and Growth



Source: Ministry of Power

Chart 10: Karcham: Generation - quality European turbines deliver high PLF



Source: Ministry of Power

Valuation: Valued 9.7GW; Option value 3.9GW

We factor in 9.7GW of the capacity, of which 6.4GW (66%) shall be commissioned by FY17E. We are yet to value 3.9GW of the capacity, pending visibility

Table 4: JP Power - SOTP Valuation

Name	Capacity (MW)	COD	Stake (%)	Valuation Basis	Proj Value (Rs mn)	Eq. Value (Rs mn)	Rs per Share
Generation Projects	9,680				195,641	192,607	73
- Baspa - II HEP	300	Jun-03	100%	DCF at CoE of 11.8%	13,442	13,442	5
- Vishnuprayag HEP	400	Oct-06	100%	DCF at CoE of 11.8%	16,249	16,249	6
- Karcham Wangtoo HEP	1200	May-11	100%	DCF at CoE of 15.4%	44,317	44,317	17
- Bina Power	1160	Jul-12	100%	DCF at CoE of 15.5%	17,417	17,417	7
- Nigrie TPS	1320	May-13	100%	DCF at CoE of 15.4%	49,391	49,391	19
- Bara Ph I	1980	Apr-14	100%	At 15% discount to DCF at CoE of 12.8%	3,829	3,829	1
- Bara Ph II	1320	Apr-17	100%	At 15% discount to DCF at CoE of 17.4%	15,486	15,486	6
- Lower Siang HEP	1500	May-17	89%	At 15% discount to DCF at CoE of 18.7%	21,025	18,712	7
- Hirong HEP	500	Mar-19	89%	At 15% discount to DCF at CoE of 20%	4,263	3,794	1
- Carbon Credits				At 15% discount to DCF at CoE of 16.7%	10,223	9,971	4
Transmission Projects					4,029	2,981	1
- JP Power Grid		Apr-12	74%	At 15% discount to DCF at CoE of 12.1%	4,029	2,981	1
Total					199,670	195,588	75
Less: Parent Debt FY17E			100%	Discounted at 15.2%	(58,801)	(58,801)	(22)
Total pre-Treasury					140,869	136,787	52
Treasury Stock			100%	344mn treasury shares @ Rs47/share - at 20% discount to JPVL SOTP value	16,026	16,026	6
Total	9,680				156,894	152,813	58

Source: BofA Merrill Lynch Global Research estimates

Table 5: JP Power (Cons) - Profit & Loss Statement

FY ends Mar31st, (Rs mn)	FY11	FY12	FY13E	FY14E	FY15E
Capacity (MW)	700	1,900	2,400	3,720	5,700
Gross Generation (mn kWh)	3,497	6,093	9,856	16,891	29,280
PPA Volume	3,044	3,109	4,331	7,214	15,166
Merchant Volume	0	2,203	4,363	8,015	11,583
Sale Volume (mn kWh)	3,044	5,312	8,694	15,229	26,749
PPA Sales	6,987	7,148	11,842	20,176	38,130
- Rs / kWh	2.30	2.30	2.73	2.80	2.51
Merchant Sales	0	8,609	15,214	25,496	37,541
- Rs / kWh	0.00	3.91	3.49	3.18	3.24
Electricity Sales	6,987	15,757	27,056	45,673	75,671
- Growth %	7.6%	125.5%	71.7%	68.8%	65.7%
- Rs / kWh	2.30	2.97	3.11	3.00	2.83
Transmission revenue	0	0	1,647	1,594	1,538
- Growth %	NA	NA	NA	-3.2%	-3.5%
CERs Sale	382	399	1,023	1,767	2,088
- Growth %	-7.1%	4.3%	156.7%	72.7%	18.2%
Total Op. Income	7,369	16,156	29,726	49,033	79,298
- Growth %	6.7%	119.2%	84.0%	64.9%	61.7%
Fuel Costs	0	0	(3,579)	(9,207)	(18,862)
- % of Sales	0.0%	0.0%	12.0%	18.8%	23.8%
O&M Expenses	(269)	(494)	(862)	(1,690)	(2,690)
- % of Sales	3.6%	3.1%	2.9%	3.4%	3.4%
Employee Cost	(243)	(433)	(649)	(1,095)	(1,829)
- % of Sales	3.3%	2.7%	2.2%	2.2%	2.3%
Admin	(689)	(670)	(690)	(699)	(708)
- % of Sales	9.3%	4.1%	2.3%	1.4%	0.9%
Total Expenses	(1,201)	(1,596)	(5,780)	(12,691)	(24,089)
EBITDA	6,168	14,560	23,946	36,342	55,208
- EBITDA Margin (%)	83.7%	90.1%	80.6%	74.1%	69.6%
Depreciation	(949)	(2,312)	(4,217)	(7,040)	(10,783)
EBIT	5,219	12,248	19,729	29,302	44,426
- EBIT Margin (%)	70.8%	75.8%	66.4%	59.8%	56.0%
Interest Costs	(4,121)	(8,337)	(12,631)	(17,773)	(26,135)
Other Income	1,039	707	431	237	580
PBT	2,136	4,619	7,529	11,766	18,871
- PBT Margin (%)	29.0%	28.6%	25.3%	24.0%	23.8%
Provision for Tax	(412)	(621)	(1,508)	(2,355)	(3,709)
- Tax Rate	19.3%	13.4%	20.0%	20.0%	19.7%
Rec PAT	1,725	3,998	6,021	9,411	15,162
- Rec PAT Margin (%)	23.4%	24.7%	20.3%	19.2%	19.1%
Less: Minority Interest (MI)	(5)	(3)	(118)	(115)	(115)
Rec PAT post minority	1,720	3,995	5,903	9,296	15,046
- Rec PAT Margin post MI (%)	23.3%	24.7%	19.9%	19.0%	19.0%
Extraordinary & Exceptionals	(102)	12	0	0	0
Rep. PAT	1,618	4,007	5,903	9,296	15,046

Source: Company, BofA Merrill Lynch Global Research

Table 6: JP Power (Cons) - Balance Sheet

FY ends Mar31st, (Rs mn)	FY11	FY12	FY13E	FY14E	FY15E
Eq. Share Capital	26,248	26,248	26,248	26,248	27,323
Reserves & Surplus	25,416	28,340	31,618	38,334	59,627
Networth	51,664	54,588	57,865	64,582	86,950
Minority Interest	650	759	844	988	1,735
Deferred Revenue	3,130	3,921	3,921	3,921	3,921
Total Loans	133,459	174,661	225,785	282,416	339,438
Networth + Total Liabilities	188,903	233,929	288,415	351,906	432,043
Gross Block	38,015	118,469	151,256	233,397	350,045
Less : Depreciation	(5,903)	(8,194)	(12,411)	(19,451)	(30,234)
Net Block	32,112	110,275	138,845	213,946	319,811
CWIP	117,313	83,977	120,998	110,246	68,962
Investments / Treasury Stock	19,859	19,859	19,859	19,859	19,859
Inventories	182	490	1,936	3,479	5,199
Debtors	1,557	4,304	3,758	4,706	5,884
Cash & Bank Balance	22,281	9,193	5,011	2,663	13,813
ST Loans & Advances	3,869	25,586	11,467	11,463	11,460
Other Current Assets	749	1,378	1,284	1,284	1,284
Current Assets, Loans & Adv	28,637	40,950	23,456	23,595	37,640
Current Liabilities & Provisions	9,018	21,134	14,744	15,741	14,230
Net Current Assets	19,619	19,816	8,712	7,854	23,410
Total Assets	188,903	233,929	288,415	351,906	432,043

Source: Company, BofA Merrill Lynch Global Research

Table 7: JP Power (Cons) - Cash Flow Statement

FY ends Mar31st, (Rs mn)	FY11	FY12	FY13E	FY14E	FY15E
Rec PAT pre-MI	1,725	3,998	6,021	9,411	15,162
Add: Depreciation	949	2,312	4,217	7,040	10,783
Add: Interest Exp	4,121	8,337	12,631	17,773	26,135
- Changes in CA	6,033	(25,402)	13,312	(2,487)	(2,894)
- Changes in CL	5,258	12,116	(6,390)	997	(1,511)
Changes in Working Capital	11,291	(13,286)	6,922	(1,490)	(4,406)
Others	0	0	0	0	0
Cash from Operations	18,086	1,360	29,791	32,734	47,674
Capex	(94,551)	(47,119)	(69,808)	(71,389)	(75,363)
Change in investments	(15,859)	0	0	0	0
Others	10,276	(9)	1	(0)	0
Cash from Investments	(100,134)	(47,128)	(69,807)	(71,389)	(75,363)
Change in share capital	5,291	0	0	0	1,075
Change in Reserve & Surplus	11,093	(1,083)	(2,625)	(2,579)	6,246
Change in Debt	59,611	42,621	36,008	42,315	38,464
Change in parent Debt	5,733	(1,418)	15,116	14,315	18,558
Change in Minority	60	106	(33)	28	632
Dividend paid	0	0	0	0	0
Interest Paid	(4,121)	(8,337)	(12,631)	(17,773)	(26,135)
Others	791	791	0	0	0
Cash from financing	78,458	32,679	35,835	36,307	38,840
Change in Cash	(3,590)	(13,089)	(4,182)	(2,348)	11,151
Op. Cash balance	25,872	22,281	9,193	5,011	2,663
Closing Cash balance	22,281	9,192	5,011	2,663	13,813

Source: Company, BofA Merrill Lynch Global Research

Table 8: JP Power (Cons) - Key Ratios & Valuation

FY ends Mar31st	FY11	FY12	FY13E	FY14E	FY15E
CMP (Rs)	34	34	34	34	34
Shares o/s (mn)	2,625	2,625	2,625	2,625	2,732
Market Cap (Rs mn)	88,717	88,717	88,717	88,717	92,352
Rec EPS (Rs)	0.7	1.5	2.2	3.5	5.5
EPS Change (%)	-43.3%	132.3%	47.8%	57.5%	55.5%
P/E (x)	51.6	22.2	15.0	9.5	6.1
CEPS (Rs)	1.0	2.4	3.9	6.2	9.5
P/CEPS (x)	33.2	14.1	8.8	5.4	3.6
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Net worth	51,664	54,588	57,865	64,582	86,950
BV (Rs)	19.7	20.8	22.0	24.6	31.8
P/BV (x)	1.7	1.6	1.5	1.4	1.1
RoE (%)	4.0%	7.5%	10.5%	15.2%	19.9%
RoCE (%)	3.5%	5.4%	6.3%	7.5%	9.3%
Net Debt (Rs mn)	111,177	165,469	220,774	279,753	325,624
EV (Rs mn)	200,544	254,945	310,335	369,458	419,710
EV / EBITDA (x)	32.5	17.5	13.0	10.2	7.6
Net D/E (x)	2.1	3.0	3.8	4.3	3.7
Interest coverage (x)	1.4	1.7	1.8	1.9	2.0
Free Cash Flow / share (Rs)	(29.1)	(17.4)	(15.2)	(14.7)	(10.1)

Source: Company, BofA Merrill Lynch Global Research

Price objective basis & risk

Jaiprakash Power Ventures Ltd. (XJSHF)

Our PO of Rs58 for JP Power is based on SOTP valuation. We have valued sum of the parts based on DCF valuation at CoE of 11.8%-20%. We have valued 89-100% stake in Hydro power plants at Baspa II at Rs5 per share (CoE 11.8%), Vishnuprayag at Rs6 per share (CoE 11.8%), Karcham Wangtoo at Rs17 per share (CoE 15.4%), Lower Siang at Rs7 per share (CoE 18.7%) and Hirong at Rs1 per share (CoE 20%). We have valued the 100% stake in thermal power stations at Bina Power at Rs7 per share (CoE 15.5%), Nigrie at Rs19 per share (CoE 15.4%), Bara Ph-I Rs1 per share (CoE 12.8%) and Bara Ph-II Rs6 per share (CoE 17.4%). The effective stake for Carbon credits is valued at Rs4 per share (CoE 16.7%). The 74% stake in JP Power Grid is valued at Rs1 per share (CoE 12.1%). This sums up to Rs75 per share. After deducting Rs22 per share for parent debt of FY17E, we arrive pre-Treasury SOTP value of Rs52 per share. We have valued 344mn treasury stock at Rs47 per share - 20% discount to our SOTP value adding Rs6/share to SOTP. This sums up to Rs58 per share.

Downside risks: Hydrology, project funding, project execution, commercial selling arrangement at Karcham Wangtoo, any cap. on returns from captive coal mine projects, delivery of coal-linkages at Bina & Bara projects and potential narrowing of demand-supply of power in India leading to fall in power prices in merchant market.

Link to Definitions

Energy

Click [here](#) for definitions of commonly used terms.

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India - Engineering/Construction/Utilities Coverage Cluster

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	Essar Ports	ESHPF	ESRS IN	Deepak Agrawala
	Gujarat State Petronet Ltd	GJRSF	GUJS IN	Vidyadhar Ginde
	IRB Infrastructure Developers Ltd.	XIRBF	IRB IN	Deepak Agrawala
	IVRCL Infrastruc	IIFRF	IVRC IN	Bharat Parekh
	Jaiprakash Associates Limited	JPRKF	JPA IN	Bharat Parekh
	Jaiprakash Power Ventures Ltd.	XJSHF	JPVL IN	Bharat Parekh
	Lanco Infratech Ltd.	LNIFB	LANCI IN	Deepak Agrawala
	Nagarjuna Const	NGRJF	NJCC IN	Bharat Parekh
	NCC-GDR	XAKUF	NJGR LX	Bharat Parekh
	Reliance Infrastructure	RCTDF	RELI IN	Bharat Parekh
	SJVN	XJVNF	SJVN IN	Jonas Bhutta
	Va Tech Wabag	XVWBF	VATW IN	Jonas Bhutta
NEUTRAL				
	Adani Enterprises Ltd.	ANIEF	ADE IN	Bharat Parekh
	Adani Ports & SEZ Ltd	XMANF	ADSEZ IN	Bharat Parekh
	Bharat Heavy	BHHEF	BHEL IN	Bharat Parekh
	Gujarat Inds	GUJIF	GIP IN	Bharat Parekh
	GVK Power & Infrastructure Ltd.	GVPWF	GVKP IN	Deepak Agrawala
	IL&FS Transportation Networks Ltd	XTPSF	ILFT IN	Deepak Agrawala
	Larsen & Toub -G	LTORF	LTOD LI	Bharat Parekh
	Larsen & Toubro	LTOUF	LT IN	Bharat Parekh
UNDERPERFORM				
	ABB	ABVFF	ABB IN	Bharat Parekh
	Adani Power Ltd.	XADPF	ADANI IN	Bharat Parekh
	Gail India	XGLAF	GAIL IN	Vidyadhar Ginde
	Gail Limited - G	GAILF	GAID LI	Vidyadhar Ginde
	GMR Infrastructure Ltd.	GMRLF	GMRI IN	Deepak Agrawala
	Neyveli Lignite	NEYVF	NLC IN	Bharat Parekh
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	NTPC Ltd	NTHPF	NTPC IN	Bharat Parekh
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	Tata Pwr. Co.	XTAWF	TPWR IN	Bharat Parekh

23 July 2012

***iQmethod*SM 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
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	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Other LT Liabilities}$	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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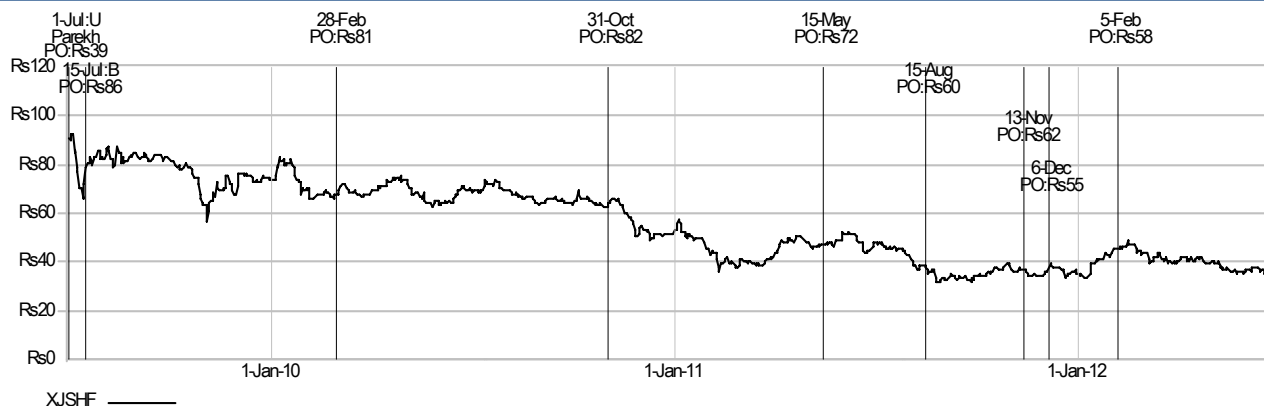
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XJSHF Price Chart



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Investment Rating Distribution: Utilities Group (as of 01 Jul 2012)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	79	47.59%	Buy	51	72.86%
Neutral	40	24.10%	Neutral	27	75.00%
Sell	47	28.31%	Sell	32	76.19%

Investment Rating Distribution: Global Group (as of 01 Jul 2012)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1913	50.14%	Buy	1294	73.40%
Neutral	994	26.06%	Neutral	628	70.09%
Sell	908	23.80%	Sell	513	60.71%

* Companies in respect of which BofA Merrill Lynch or one of its affiliates has received compensation for investment banking services within the past 12 months. For purposes of this distribution, a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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