

FY12E PAT to be driven by Karcham commissioning

May 17, 2011

Reco	Previous Reco
Hold	Hold
CMP	Target Price
Rs47	Rs47
EPS change FY12E/13E (%)	-11/-8
Target Price change (%)	-4
Nifty	5,499
Sensex	18,345

Price Performance

(%)	1M	3M	6M	12M
Absolute	(5)	30	(26)	(31)
Rel. to Nifty	1	22	(19)	(36)

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Power
Bloomberg	JPVL@IN
Equity Capital (Rs mn)	20957
Face Value(Rs)	10
No of shares o/s (mn)	2096
52 Week H/L	75/35
Market Cap (Rs bn/USD mn)	99/2,206
Daily Avg Volume (No of sh)	324572
Daily Avg Turnover (US\$m)	0.3

Shareholding Pattern (%)

	Mar-11	Dec-10	Sep-10
Promoters	87.0	87.0	87.6
FII/NRI	2.2	2.2	1.4
Institutions	3.3	3.3	3.4
Private Corp	1.4	1.5	1.6
Public	6.1	6.0	6.0

Source: Capitaline

Amit Golchha

amit.golchha@emkayglobal.com
+91 22 6624 2408

Nihag Shah, CFA

nihag.shah@emkayglobal.com
+91 22 6624 2486

- Below expectations – on lower VER sales. Q4FY11 PAT down 72% yoy due to lower VER sales and higher interest expenses which were partly neutralized by higher other income
- Karcham (key FY12E growth driver) unit 1 has synchronized on 13th May - COD by May end. Assumed Commissioning of whole project by August 2011 - any delay to impact PAT
- Reduce FY12E/13E earnings by -11%/-8% led by equity dilution (21% or 556 mn shares) including treasury stock of 371mn on account of amalgamation of JPVL, Karcham and Bina
- Assumed treasury stock sale in 12E to fund capex. Valuations imply LT merchant rate of Rs3.7 (our est. Rs2.7). Litigation on Karcham and funding gap to remain overhang. Maintain hold

Performance impacted by lower VER sales and higher interest

JPVL's Q411 numbers were below expectations mainly on account of lower VER sales. Q4FY11 PAT down 72% yoy due to lower VER sales (Rs66mn vs Rs308mn yoy) and higher interest expenses (Rs992mn vs Rs549mn yoy) on securitization debt. Though part impact was neutralized by higher other income (Rs210mn vs Rs126mn yoy). Revenues of Rs1.5bn, down 14% yoy, were ahead of our expectations of Rs1.3bn mainly on account of higher realizations of Rs6.5/unit as compared to our estimate of Rs6.0/unit. For FY11, company reported revenues of Rs7bn, up 10% yoy. EBITDA margins for the year stood at 83.2% down 370bps yoy led by higher other expenses (13.3% of total revenues vs 9.8% in FY10). FY11 APAT stood at Rs1.6bn down 32% yoy mainly on account of higher interest cost (Rs4.1 bn in FY11 vs Rs2.4bn in FY10) on securitized debt. FY11 EPS stood at Rs0.8/share.

Reduce our FY12E/13E earnings led by equity dilution on amalgamation

JPVL is amalgamating Bina Power (Phase 1 -500MW & Phase II-1000MW) and Karcham Wangtoo (1000MW) with itself. Pursuant to this scheme the company will issue 556mn shares (21% dilution) -185mn shares to JAL for 43% stake in Karcham Wangtoo and creation of 371mn treasury stock. Key reasons for amalgamation -(1) access to cash flows from Bina and Karcham which go on stream in FY12E without having to pay dividend tax & (2) creation of treasury stock to help raise funds later on (~Rs18 bn at CMP). Assuming effective date as 1st April 2011, we expect dilution in FY12E numbers and consequently reduce our FY12E/13E EPS by 11%/8%.

FY12E PAT driven by Karcham commissioning, any delay to impact materially

PAT growth of 125% in FY12E is driven by Karcham commissioning. The unit 1 has been synchronized on 13th May and expect COD by May end. We have assumed commissioning of whole project by August 2011. Any delay in these timelines to impact FY12E EPS significantly as the peak period for Hydro generation is monsoon period.

Financial Snapshot

Rs Mn

YE-	Net	EBITDA		EPS	EPS	RoE	EV/			
Mar	Sales	(Core)	(%)	APAT	(Rs)	% chg	(%)	P/E	EBITDA	P/BV
FY10	6,496	5,645	86.9	2,421	1.2	-61.4	10.6	40.8	25.0	2.9
FY11P*	6,987	5,815	83.2	1,754	0.8	-27.5	5.2	59.8	27.8	3.3
FY12E	23,295	19,723	84.7	4,973	1.9	124.1	11.0	25.1	11.8	2.1
FY13E	32,544	25,531	78.5	6,075	2.3	22.2	9.3	20.6	12.3	1.8

Karcham litigation and funding gap remains overhang; Maintain Hold with revised PT of Rs45/share

Current valuations imply long term merchant tariff of Rs3.7/unit vs our estimate of sustainable merchant tariffs at Rs2.7/unit.. At CMP of Rs47/Share, the stock is trading at 1.8 x FY13E Book Value. We have assumed Karcham as a merchant power plant. Any outcome on litigation with PTC which is not favorable (less merchant capacity, capital cost approval lower than actual) for the company, to impact the stock performance. Also we believe funding gap would continue to be an overhang – even after treasury stock sale in FY12E, JPVL is likely to need about Rs20bn as equity funding in FY14E. Maintain hold with revised price target of Rs47/Share.

Changes in Estimates

	Revenues			EBITDA			PAT			EPS		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
FY12E	22,022	23,295	5.8%	18,648	19,723	5.8%	4,488	4,973	10.8%	2.1	1.9	-10.7%
FY13E	35,262	32,544	-7.7%	28,001	25,531	-8.8%	5,934	6,075	2.4%	2.5	2.3	-8.4%

Source: Emkay Research

Quarterly Results

Rs mn	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11	YoY (%)	QoQ (%)	FY10	FY11	YoY (%)
Revenue	1,719	1,903	2,470	1,292	1,480	-13.9	14.6	6,496	7,145	10.0
Expenditure	-328	-390	-383	-186	-250	-23.9	34.2	-851	-1,208	41.9
as % of sales	-19.1%	-20.5%	-15.5%	-14.4%	-16.9%			-13.1%	-16.9%	
Consumption of RM	0	0	0	0	0			0	0	
as % of sales	0.0%	0.0%	0.0%	0.0%	0.0%			0.0%	0.0%	
Power and Fuel	0	0	0	0	0			0	0	
as % of sales	0.0%	0.0%	0.0%	0.0%	0.0%			0.0%	0.0%	
Other Mfg Expenses	0	0	0	0	0			0	0	
as % of sales	0	0	0	0	0			0	0	
Employee Cost	-67	-51	-62	-54	-76	12.9	40.0	-216	-243	12.9
as % of sales	-3.9%	-2.7%	-2.5%	-4.2%	-5.1%			-3.3%	-3.4%	
Other expenditure	-261	-339	-321	-132	-174	-33.4	31.8	-636	-965	51.8
as % of sales	-15.2%	-17.8%	-13.0%	-10.2%	-11.7%			-9.8%	-13.5%	
EBITDA	1,391	1,513	2,087	1,106	1,231	-11.5	11.3	5,645	5,937	5.2
Depreciation	-235	-237	-239	-240	-234	-0.2	-2.3	-1,026	-949	-7.5
EBIT	1,156	1,276	1,848	867	997	-13.8	15.0	4,619	4,988	8.0
Other Income	126	176	356	521	210	66.4	-59.8	682	1,299	85.1
Interest	-549	-972	-1118	-1040	-992	80.7	-4.6	-2,364	-4,121	74.3
PBT	734	480	1,086	348	215	-70.8	-38.4	2,937	2,129	-27.5
Total Tax	-125	-96	-217	-57	-43	-65.8	-24.6	-516	-412	-20.2
Reported PAT	609	385	870	292	172	-71.8	-41.1	2421	1718	-29.0
Extra ordinary items	-3	-100	0	0	-2	-11			-102	
Adjusted PAT	606	285	870	292	169	-72.0	-41.9	2421	1615	-31.8
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0			0	0	
PAT after MI	606	285	870	292	169	-72.0	-41.9	2421	1651	-31.8
Reported EPS	0.3	0.2	0.4	0.1	0.1	-71.8	-24.5	1.2	0.8	-31.8

Margins (%)			(bps)	(bps)	(bps)
EBIDTA	80.9	79.5	84.5	80.7	83.1
EBIT	67.3	67.1	74.8	62.1	67.3
EBT	42.5	20.0	44.0	22.0	14.3
PAT	35.4	20.2	35.2	17.6	11.6
Effective Tax rate	17.1	25.2	19.9	19.9	20.1

Financials

Income Statement

Y/E, Mar (Rs. mn)	FY10	FY11P	FY12E	FY13E
Net Sales	6,496	6,987	23,295	32,544
Growth (%)	124.9	7.6	233.4	39.7
Expenditure	851	1,172	3,573	7,013
Fuel Cost	0	0	1,347	3,734
O&M Cost	851	1,172	2,226	3,279
SG&A Expenses	0	0	0	0
Other Expenses	0	0	0	0
EBITDA	5,645	5,815	19,723	25,531
Growth (%)	112.6	3.0	239.2	29.5
EBITDA margin (%)	86.9	83.2	84.7	78.5
Depreciation	1,026	949	4,300	6,364
EBIT	4,619	4,866	15,423	19,168
EBIT margin (%)	71.1	69.6	66.2	58.9
Other Income	682	1,421	-1,788	-2,098
Interest expenses	2,364	4,121	7,206	9,318
PBT	2,937	2,166	6,428	7,752
Tax	516	412	1,455	1,677
Effective tax rate (%)	17.6	20.0	22.6	21.6
Reported PAT	2,421	1,754	4,973	6,075
Growth (%)	64.6	-27.5	183.5	22.2
Net Margin (%)	37.3	25.1	21.3	18.7
E/O items	0	-103	0	0
Adjusted PAT	2,421	1,651	4,973	6,075
(Profit)/loss from JV's/Ass/MI	0	0	0	0
PAT after MI	2,421	1,651	4,973	6,075
Growth (%)	64.6	-27.5	183.5	22.2

Cash Flow

Y/E, Mar (Rs. mn)	FY10	FY11P	FY12E	FY13E
PBT (Ex-Other income)	2,255	642	8,217	9,850
Depreciation	1,026	949	4,300	6,364
Interest Provided	2,364	4,121	7,206	9,318
Other Non-Cash items	1,273	-1,356	2,101	2,100
Chg in working cap	-7,106	-75	-2,338	-1,586
Tax paid	-516	-412	-1,455	-1,677
Operating Cash flow	-704	3,870	18,030	24,368
Capital expenditure	-49,347	-14,242	-77,746	-95,961
Free Cash Flow	-50,051	-10,371	-59,716	-71,593
Other income	682	1,421	-1,788	-2,098
Investments	-4,000	0	0	0
Investing Cash flow	-52,665	-12,821	-79,535	-98,059
Equity Capital Raised	19,715	-986	18,178	0
Loans Taken / (Repaid)	60,566	11,745	58,595	59,394
Interest Paid	-2,364	-4,121	-7,206	-9,318
Dividend paid (incl tax)	0	0	0	0
Income from investments				
Others	88	-6,379	6,014	687
Financing Cash flow	78,004	259	75,581	50,763
Net chg in cash	24,635	-8,691	14,077	-22,928
Opening cash position	1,237	25,872	17,180	31,257
Closing cash position	25,872	17,180	31,257	8,329

Balance Sheet

Y/E, Mar (Rs. mn)	FY10	FY11P	FY12E	FY13E
Equity share capital	20,957	20,957	26,517	26,517
Reserves & surplus	13,309	8,580	34,285	43,148
Net worth	34,266	29,537	60,802	69,665
Secured Loans	70,454	79,860	138,456	197,849
Unsecured Loans	0	0	0	0
Loan Funds	70,454	79,860	138,456	197,849
Net deferred tax liability	0	0	0	0
Total Liabilities	104,720	109,397	199,258	267,514
Gross Block	48,303	48,303	150,833	150,833
Less: Depreciation	-6,025	-6,975	-11,275	-17,638
Net block	42,278	41,328	139,558	133,194
Capital work in progress	23,924	38,166	13,382	109,344
Investment	4,000	4,000	4,000	4,000
Current Assets	38,260	29,644	46,166	25,015
Inventories	217	217	378	663
Sundry debtors	2,039	2,114	4,399	5,890
Cash & bank balance	25,872	17,180	31,257	8,329
Loans & advances	9,206	9,206	9,206	9,206
Other current assets	927	927	927	927
Current lia & Prov	3,760	3,760	3,867	4,058
Current liabilities	3,760	3,760	3,867	4,058
Provisions	0	0	0	0
Net current assets	34,500	25,884	42,299	20,958
Misc. exp	-18	-18	-18	-18
Total Assets	104,720	109,397	199,258	267,514

Key ratios

Y/E, Mar	FY10	FY11P	FY12E	FY13E
Profitability (%)				
EBITDA Margin	86.9	83.2	84.7	78.5
Net Margin	37.3	25.1	21.3	18.7
ROCE	7.3	4.5	10.0	8.2
ROE	10.6	5.2	11.0	9.3
RoIC	8.0	4.8	9.5	7.2
Per Share Data (Rs)				
EPS	1.2	0.8	1.9	2.3
CEPS	1.6	1.3	3.5	4.7
BVPS	16.3	14.1	22.9	26.3
DPS				
Valuations (x)				
PER	40.8	59.8	25.1	20.6
P/CEPS	28.7	36.6	13.5	10.1
P/BV	2.9	3.3	2.1	1.8
EV / Sales	21.7	23.1	10.0	9.7
EV / EBITDA	25.0	27.8	11.8	12.3
Dividend Yield (%)	0.0	0.0	0.0	0.0
Gearing Ratio (x)				
Net Debt/ Equity	1.2	2.1	1.8	2.7
Net Debt/EBITDA	7.5	10.8	5.4	7.4
Working Cap Cycle (days)	451	136	124	85

Recommendation History: Jaiprakash Power Ventures – JPVL IN

Date	Reports			
17/02/2011	Jaiprakash Power Ventures Event Update	Hold	42	49
25/01/2011	Power Sector Report; Too many ends to tie			

Recent Research Reports

Date	Reports	Reco	CMP	Target
13/05/2011	Bharat Bijlee Q4FY11 Result Update	Accumulate	998	1,110
12/05/2011	NTPC Q4FY11 Concall Update	Buy	177	204
10/05/2011	NTPC Q4FY11 Result Update	Accumulate	180	204
09/05/2011	Adani Power Q4FY11 Result Update	Reduce	110	103

Emkay Global Financial Services Ltd.

Paragon Center, H -13 -16, 1st Floor, Pandurang Budhkar Marg, Worli, Mumbai – 400 013. Tel No. 6612 1212. Fax: 6624 2410

DISCLAIMER: This document is not for public distribution and has been furnished to you solely for your information and may not be reproduced or redistributed to any other person. The manner of circulation and distribution of this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves of, and to observe, such restrictions. This material is for the personal information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. No person associated with Emkay Global Financial Services Ltd. is obligated to call or initiate contact with you for the purposes of elaborating or following up on the information contained in this document. The material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon. Neither Emkay Global Financial Services Ltd., nor any person connected with it, accepts any liability arising from the use of this document. The recipient of this material should rely on their own investigations and take their own professional advice. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. We and our affiliates, officers, directors, and employees world wide, including persons involved in the preparation or issuance of this material may; (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company (ies) discussed herein or may perform or seek to perform investment banking services for such company(ies) or act as advisor or lender / borrower to such company(ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. The same persons may have acted upon the information contained here. No part of this material may be duplicated in any form and/or redistributed without Emkay Global Financial Services Ltd.'s prior written consent. No part of this document may be distributed in Canada or used by private customers in the United Kingdom. In so far as this report includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.