

Weak Chinese plant operation & shut-downs drive weak 1Q

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1Q hit on start-up pain / plant shut-downs; Cut EPS & PO

APL 1Q Rec. PAT at Rs1.8bn, +55%YoY (-24% vs. BofAMLe) on gross generation 13% below BofAMLe @ lower PLF (74%) on poor performance of Chinese plants, shut-down at unit 1, lower ASP on lower merchant volume (-16%QoQ) at 47%YoY lower non-PPA ASP and 8%YoY higher fuels. Cut EPS 22% & 14% for FY12E & FY13E, resp., to factor in 1-2 months' delay at its 660MW units, +100bps auxiliary consumption, higher shut-down time for the Chinese plants, lower PLF in FY12E on start-up losses, and we cut PO to Rs124 (Rs140). Buy APL on (1) a +3x in capacity by FY13E via an unregulated model (no cap on RoE) and (2) visibility of 3.3x EPS over FY11-13E on 77% power pre-sold at decent tariffs, secured funding, location advantage & business model (shift to PPAs from FY13E Chart 8). Expect stock to go sideways near term till start of coal linkages at Mundra / Tiroda plants in 3Q11.

1Q margin fall of 1027bps on inefficiency & higher fuel cost

APL 1Q gross generation at 3.2bn kWh +177%YoY (-13% BofAMLe). Even factoring in planned shut-downs (20 days on 330MW & 10 days on 660MW), the average PLF of its Chinese plants was poor @ ~80% vs. JSPL 97% (Chart 2). 1Q ASP fell 16%YoY, as low-ASP PPA volume soared to ~91% of volume in the stabilization phase and led to merchant volume (-16%QoQ). Further, a 47%YoY lower merchant/UI rate and 8%YoY higher fuel cost @ Rs1.15/kWh led to a 1027bps fall in EBITDA margin.

Competitive advantages - coal, location and visible scale-up

APL has secured low-cost fuel via coal linkages (38% of capacity) and contracts with parent (23%). It has 86% of capacity located in the West - highest peak power deficit (14.7%) vs. India (9.8%) in FY11. These competitive advantages and healthy pre-sales tariffs, at ~Rs2.9 (see Table 2), make APL the top margin (55% in FY13E) and RoE (21%) earner in our IPP universe. **Risks:** execution, delivery of coal in line with linkage letters of Ministry of Coal, imported coal - exposes it to country, currency and freight risks, and fall in power rates on lower power deficit.

Estimates (Mar)

(Rs)	2010A	2011A	2012E	2013E	2014E
Net Income (Adjusted - mn)	1,702	5,132	15,321	18,548	31,848
EPS	0.781	2.35	6.40	7.75	13.31
EPS Change (YoY)	NM	201.5%	171.9%	21.1%	71.7%
Dividend / Share	0	0	0	0	0
Free Cash Flow / Share	(45.41)	(49.24)	(37.08)	(5.25)	10.69

Valuation (Mar)

	2010A	2011A	2012E	2013E	2014E
P/E	120.06x	39.83x	14.64x	12.10x	7.04x
Dividend Yield	0%	0%	0%	0%	0%
EV / EBITDA*	216.91x	43.33x	12.25x	8.61x	6.09x
Free Cash Flow Yield*	-44.12%	-47.85%	-39.55%	-5.60%	11.40%
Price/Book Value	3.87	3.56	2.79	2.26	1.71

* For full definitions of *iQmethod*SM measures, see page 10.

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Refer to important disclosures on page 11 to 13. Analyst Certification on Page 9. Price Objective Basis/Risk on page 9. Link to Definitions on page 9.11076444

Stock Data

Price	Rs93.75
Price Objective	Rs124.00
Date Established	5-Aug-2011
Investment Opinion	C-1-9
Volatility Risk	HIGH
52-Week Range	Rs92.20-Rs145.90
Mrkt Val / Shares Out (mn)	US\$5,063 / 2,393.2
Market Value (mn)	Rs224,366
Average Daily Volume	1,762,901
BofAML Ticker / Exchange	XADPF / BSE
Bloomberg / Reuters	ADANI IN / ADAN.BO
ROE (2012E)	21.3%
Net Dbt to Eqty (Mar-2011A)	345.9%
Est. 5-Yr EPS / DPS Growth	78.1% / NA
Free Float	26.5%

Key Changes

(Rs)	Previous	Current
Price Obj.	140.00	124.00
2012E Rev (m)	80,356.7	69,272.9
2013E Rev (m)	116,968.0	111,686.4
2014E Rev (m)	156,648.0	151,374.0
2012E EPS	8.19	6.40
2013E EPS	9.06	7.75
2014E EPS	14.92	13.31

iQprofileSM Adani Power Ltd.

Key Income Statement Data (Mar)	2010A	2011A	2012E	2013E	2014E
(Rs Millions)					
Sales	4,349	21,352	69,273	111,686	151,374
Gross Profit	2,438	12,205	43,168	61,436	86,871
Sell General & Admin Expense	NA	NA	NA	NA	NA
Operating Profit	2,085	10,319	37,831	49,561	71,254
Net Interest & Other Income	(57)	(2,187)	(8,866)	(22,024)	(27,038)
Associates	NA	NA	NA	NA	NA
Pretax Income	2,027	8,132	28,965	27,537	44,217
Tax (expense) / Benefit	(327)	(3,000)	(13,644)	(8,989)	(12,369)
Net Income (Adjusted)	1,702	5,132	15,321	18,548	31,848
Average Fully Diluted Shares Outstanding	2,180	2,180	2,393	2,393	2,393

Key Cash Flow Statement Data

Net Income	1,702	5,132	15,321	18,548	31,848
Depreciation & Amortization	353	1,886	5,336	11,875	15,616
Change in Working Capital	(1,989)	(774)	(220)	(1,510)	(3,811)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(2)	0	0	0	0
Cash Flow from Operations	65	6,244	20,437	28,914	43,653
Capital Expenditure	(99,062)	(113,596)	(109,182)	(41,486)	(18,071)
(Acquisition) / Disposal of Investments	(408)	0	(2,132)	2,132	0
Other Cash Inflow / (Outflow)	0	0	0	0	0
Cash Flow from Investing	(99,471)	(113,596)	(111,314)	(39,354)	(18,071)
Shares Issue / (Repurchase)	33,476	0	2,132	0	0
Cost of Dividends Paid	NA	NA	NA	NA	NA
Cash Flow from Financing	119,407	90,722	82,076	14,428	(13,878)
Free Cash Flow	(98,998)	(107,352)	(88,745)	(12,572)	25,581
Net Debt	110,939	218,291	307,035	317,475	291,894
Change in Net Debt	66,627	107,352	88,745	10,440	(25,581)

Key Balance Sheet Data

Property, Plant & Equipment	167,966	279,676	383,522	413,132	415,588
Other Non-Current Assets	0	0	0	0	0
Trade Receivables	275	1,845	3,322	7,935	13,222
Cash & Equivalents	25,586	8,956	156	4,144	15,847
Other Current Assets	1,083	1,631	6,193	6,078	7,651
Total Assets	194,910	292,108	393,194	431,289	452,307
Long-Term Debt	136,214	226,745	307,191	321,619	307,741
Other Non-Current Liabilities	NA	NA	NA	NA	NA
Short-Term Debt	311	502	0	0	0
Other Current Liabilities	417	1,761	5,449	10,568	13,616
Total Liabilities	136,941	229,008	312,640	332,187	321,357
Total Equity	57,969	63,101	80,553	99,102	130,950
Total Equity & Liabilities	194,910	292,108	393,194	431,289	452,307

iQmethodSM - Bus Performance*

Return On Capital Employed	1.5%	2.9%	6.0%	8.4%	12.2%
Return On Equity	4.2%	8.5%	21.3%	20.6%	27.7%
Operating Margin	47.9%	48.3%	54.6%	44.4%	47.1%
EBITDA Margin	56.1%	57.2%	62.3%	55.0%	57.4%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	0x	1.2x	1.3x	1.6x	1.4x
Asset Replacement Ratio	NM	NM	20.5x	3.5x	1.2x
Tax Rate (Reported)	16.1%	36.9%	47.1%	32.6%	28.0%
Net Debt-to-Equity Ratio	191.4%	345.9%	381.2%	320.4%	222.9%
Interest Cover	5.5x	3.2x	3.9x	2.1x	2.5x

Key Metrics

* For full definitions of iQmethodSM measures, see page 10.

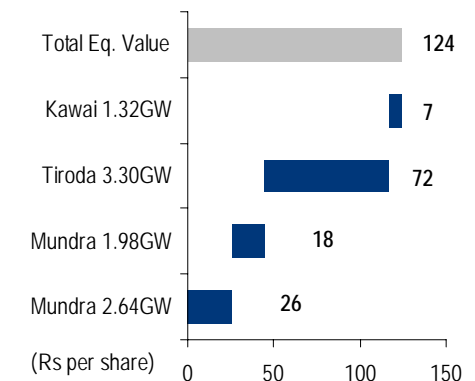
Company Description

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 rated Buy, given (1) a 3x scale-up in capacity by FY13E via an unregulated business model (no cap on RoE) and (2) visibility of 3.3x EPS over FY11-13E, led by 77% power pre-sold at an 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 a location advantage and balanced model

Chart 1: APL: SOTP Valuation



Source: BofA Merrill Lynch Global Research

Stock Data

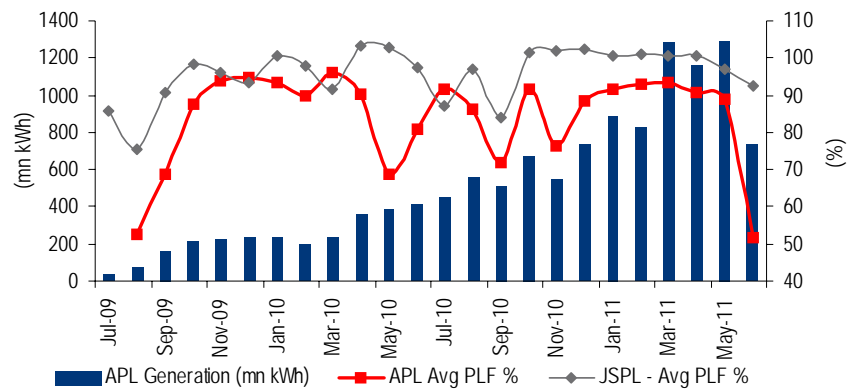
Price to Book Value 2.8x

Table 1: APL - 1QFY12 Results Review

	(Rs mn)	1QFY11	1QFY12	%YoY
1QFY12 average PLF down to 74% vs. 80% on planned shut-down of 1x330MW unit for 20 days during the 1QFY12....	Capacity (MW)	660	1,980	200.0%
	Avg PLF %	80.0%	74.0%	-7.5%
	Gross Generation (mn kWh)	1,153	3,190	176.7%
	Aux Consumption %	10.7%	9.2%	-14.2%
	Net Generation (mn kWh)	1,030	2,898	181.4%
.... led to gross generation of only +177%YoY, despite capacity +200%YoY...	- PPA Total	883	2,626	197.5%
	- Rs/kWh	2.79	2.74	-1.6%
	- Merchant (mn kWh)	147	272	84.7%
	- Rs/kWh	6.78	3.60	-46.9%
	Total Volume (mn kWh)	1,030	2,898	181.4%
.... lower generation @ 74% PLF & a shift toward PPA led merchant volume share down to 9% vs. 14% in 1Q11....	- PPA Sale	2,463	7,207	192.7%
	- Merchant Sale	998	979	-1.9%
	Electricity Sales	3,461	8,187	136.6%
	- Rs/kWh	3.36	2.82	-15.9%
	Other Op. Income	71	0	-100.0%
	Total Op. Income	3,531	8,187	131.8%
... which together with a 47%YoY fall in the merchant rate led Revenue to grow by only 132%YoY and led to the average rate -16%YoY...	Fuel Costs	1,098	3,333	203.5%
	- Rs/kWh	1.07	1.15	7.9%
	- % of Op. Income	8.5%	9.2%	
	Staff & Other O&M Costs	301	752	149.8%
	- Rs/kWh	0.29	0.26	-11.2%
	- % of Op. Income	8.5%	9.2%	
.... 8%YoY growth in fuel cost, to Rs1.15/kWh	Total Op. Expenses	1,399	4,085	191.9%
	- % of Op. Income	39.6%	49.9%	
...led margin down by 1027bps	EBITDA	2,132	4,102	92.4%
	- Rs/kWh	2.07	1.42	-31.6%
	EBITDA Margin	60.4%	50.1%	-1027bps
	Depreciation	279	1,040	272.5%
	EBIT	1,853	3,062	65.3%
	- Rs/kWh	1.80	1.06	-41.3%
	EBIT Margin	52.5%	37.4%	-1507bps
	Interest Income	79	455	479.2%
	Interest Expenses	511	1,341	162.3%
Interest income up by 479%YoY..	Interest Expenses, net	433	886	104.8%
...while Interest expenses by 162%YoY	Other Income	79	81	2.5%
	PBT	1,499	2,256	50.5%
	- Rs/kWh	1.46	0.78	-46.5%
	PBT Margin	42.4%	27.6%	
	Tax	354	488	37.8%
	Tax rate %	23.6%	21.6%	
	Rec PAT	1,145	1,769	54.5%
	- Rs/kWh	1.11	0.61	-45.1%
	Rec PAT Margin	32.4%	21.6%	
...a 200bps lower tax rate led Rec PAT up by 55%YoY vs. PBT +51%YoY...	Extra ord. & Except.	0	0	NA
	Rep PAT	1,145	1,769	54.5%

Source: Company, BofA Merrill Lynch Global Research

Chart 2: Average PLF of 4x330MW + 1x660MW of Mundra Ph - I, II & III vs JSPL 4x250MW



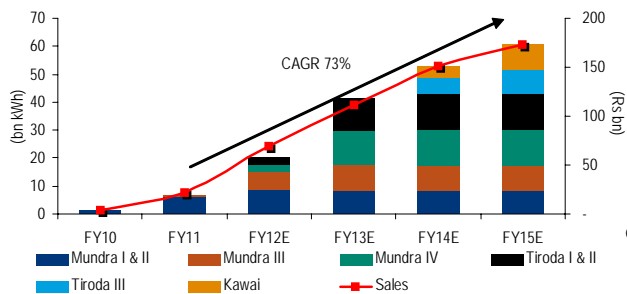
Source: Ministry of Power, BoFA Merrill Lynch Global Research

Table 2: APL: PPA Tariff

Project	Customer	Date	MW	PPA Term	Levelised Tariff
Mundra I & II	GUVNL	06-Feb-2007	1000	25 years	2.89
Mundra III	GUVNL	02-Feb-2007	1000	25 years	2.35
Mundra IV	DHBVNL & UHBVNL	07-Aug-2008	1424	25 years	2.93
Tiroda I & II	MSEDCL	08-Sep-2008	1320	25 years	2.67
Tiroda III	MSEDCL	4Q FY10	1200	25 years	3.27
Kawai	RRVUNL	Jan-2010	1200	25 years	3.24
Total			7,144		2.91

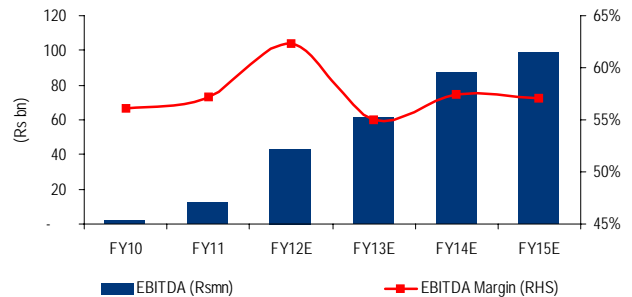
Source: Company

Chart 3: APL: Generation Break-up (bn kWh) & Sales (Rsbn)



Source: Company, BoFA Merrill Lynch Global Research

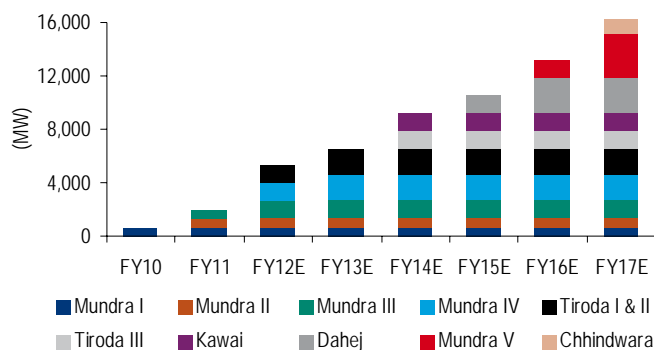
Chart 4: APL: EBITDA & EBITDA margin



Source: Company, BoFA Merrill Lynch Global Research

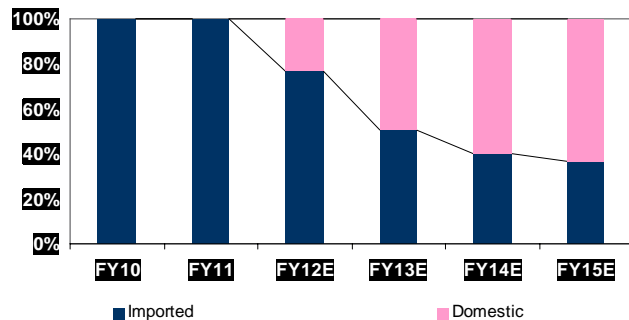
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Chart 5: APL: Likely Planned capacity



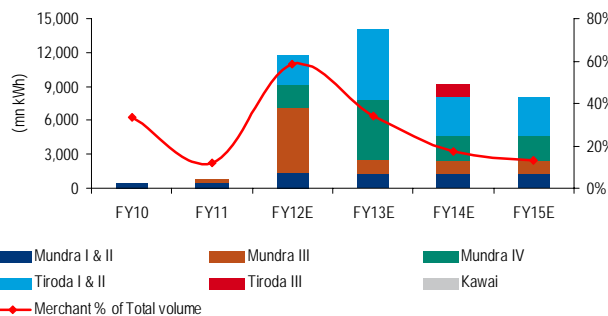
Source: Company, BofA Merrill Lynch Global Research

Chart 6: APL: Coal Mix



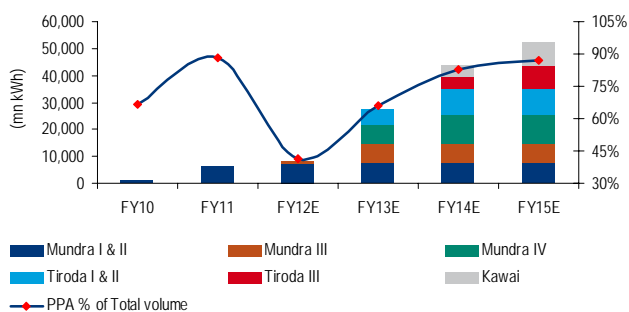
Source: Company, BofA Merrill Lynch Global Research

Chart 7: APL: Merchant volume



Source: Company, BofA Merrill Lynch Global Research

Chart 8: APL: PPA volume



Source: Company, BofA Merrill Lynch Global Research

Table 3: APL: Sum-of-the-parts valuation

Project Name	Capacity (MW)	APL's stake (%)	Rf (%)	Beta (x)	ERP (%)	CoE (%)	APL's Attributable Value		
							Eq. Value (Rsmn)	Eq. Value (Rs/mn)	Eq. Value (Rs/share)
Mundra TPP	4620						105,708	105,708	44
Mundra I, II & III	2640	100.0%	8.3%	0.9	5.5%	13.2%	61,649	61,649	26
Mundra IV	1980	100.0%	8.3%	0.9	6.0%	13.7%	44,059	44,059	18
Tiroda TPP	3300						173,429	173,429	72
Tiroda I, II & III	3300	100.0%	8.3%	1.0	6.5%	14.9%	173,429	173,429	72
Kawai TPP	1320						17,040	17,040	7
Kawai TPP	1320	100.0%	8.3%	1.0	6.5%	14.8%	17,040	17,040	7
Total	9240		8.3%	1.0	6.1%	14.1%	296,178	296,178	124

Source: BofA Merrill Lynch Global Research

Table 4: Adani Power - Consolidated Profit & Loss statement

FY ends on Mar 31st, (Rs mn)	FY10	FY11	FY12E	FY13E	FY14E
Power Sold (mn kWh)	1,221	6,810	20,072	41,394	53,098
Electricity Sale	4,349	20,814	68,058	109,512	148,944
- Rs / kWh	3.56	3.06	3.39	2.65	2.81
CER's sale	-	-	940	1,207	1,225
Ash sale / Other Op. Income	-	538	274	967	1,206
Total Revenue	4,349	21,352	69,273	111,686	151,374
- Rs / kWh	3.56	3.14	3.45	2.70	2.85
Coal cost	1,450	6,844	20,723	40,063	51,547
- % of Total Revenue	33.3%	32.1%	29.9%	35.9%	34.1%
Fuel oil cost	217	369	1,072	2,207	2,917
- % of Total Revenue	5.0%	1.7%	1.5%	2.0%	1.9%
O&M costs	243	1,934	4,310	7,980	10,040
- % of Total Revenue	5.6%	9.1%	6.2%	7.1%	6.6%
Total Operating Expenses	1,910	9,147	26,105	50,251	64,503
EBITDA	2,438	12,205	43,168	61,436	86,871
- EBITDA Margin	56.1%	57.2%	62.3%	55.0%	57.4%
Depreciation	353	1,886	5,336	11,875	15,616
EBIT	2,085	10,319	37,831	49,561	71,254
- EBIT Margin	47.9%	48.3%	54.6%	44.4%	47.1%
Interest expenses	377	3,232	9,721	23,170	28,847
Interest Income	319	1,045	855	1,146	1,810
PBT	2,027	8,132	28,965	27,537	44,217
- PBT Margin	46.6%	38.1%	41.8%	24.7%	29.2%
Income Tax	327	3,000	13,644	8,989	12,369
Rec. PAT Pre-Minority	1,700	5,132	15,321	18,548	31,848
- Rec. PAT Margin - Pre Minority	39.1%	24.0%	22.1%	16.6%	21.0%
Minority Interest	(2)	-	-	-	-
Rec. PAT Post-Minority	1,702	5,132	15,321	18,548	31,848
- Rec. PAT Margin - Post Minority	39.1%	24.0%	22.1%	16.6%	21.0%
Exceptiona Income / (Exp)	-	-	-	-	-
Rep. PAT	1,702	5,132	15,321	18,548	31,848

Source: Company, BofA Merrill Lynch Global Research

Table 5: Adani Power - Consolidated Balance Sheet

FY ends on Mar 31st, (Rs mn)	FY10	FY11	FY12E	FY13E	FY14E
Gross Block	27,986	72,708	245,143	314,026	450,676
Less: Accumulated Depreciation	457	2,261	7,597	19,472	35,088
Net Block	27,529	70,447	237,546	294,554	415,588
CWIP	140,437	209,229	145,976	118,579	-
Investments	408	408	2,540	408	408
Current Assets ex cash	950	3,068	6,975	13,604	20,464
Cash Balance	25,586	8,956	156	4,144	15,847
Total Current Assets	26,536	12,024	7,131	17,748	36,311
Current Liabilities	417	1,761	5,449	10,568	13,616
Net Current Assets	26,119	10,263	1,682	7,180	22,695
Total Assets	194,494	290,348	387,745	420,721	438,691
Share Capital	21,800	21,800	23,932	23,932	23,932
Share Premium	34,613	34,613	34,613	34,613	34,613
General Reserves	1,556	6,687	22,008	40,557	72,405
Net Worth	57,969	63,101	80,553	99,102	130,950
Total Loan Funds	136,525	227,247	307,191	321,619	307,741
Minority Interest	-	-	-	-	-
Total Liabilities	194,494	290,348	387,745	420,721	438,691

Source: Company, BofA Merrill Lynch Global Research

Table 6: Adani Power -Consolidated Cash Flow Statement

FY ends on Mar 31st, (Rs mn)	FY10	FY11	FY12E	FY13E	FY14E
PAT before Minority interest	1,700	5,132	15,321	18,548	31,848
Add: Depreciation	353	1,886	5,336	11,875	15,616
Net change in Working Capital	(1,989)	(774)	(220)	(1,510)	(3,811)
Cash Flow from Operations	65	6,244	20,437	28,914	43,653
Capex/ Disposals	(99,062)	(113,596)	(109,182)	(41,486)	(18,071)
Change in Investments	(408)	(0)	(2,132)	2,132	-
Cash Flow from Investments	(99,471)	(113,596)	(111,314)	(39,354)	(18,071)
Change in Share Capital	3,380	-	2,132	-	-
Change in Reserves & Surplus	30,096	-	-	-	-
Dividend paid	-	-	-	-	-
Change in Debt	86,628	90,722	79,944	14,428	(13,878)
Change in minority interest	(697)	-	-	-	-
Others	-	-	-	-	-
Cash Flow from Financing	119,407	90,722	82,076	14,428	(13,878)
Change in Cash	20,001	(16,630)	(8,800)	3,988	11,703
Opening Cash balance	5,585	25,586	8,956	156	4,144
Closing Cash balance	25,586	8,956	156	4,144	15,847

Source: Company, BofA Merrill Lynch Global Research

Table 7: Adani Power - Consolidated Key Ratio & Valuations

FY ends on Mar 31st	FY10	FY11	FY12E	FY13E	FY14E
No. of Shares o/s (mn)	2,180	2,180	2,393	2,393	2,393
Price (Rs)	94	94	94	94	94
Market Cap (Rs mn)	204,378	204,378	224,366	224,366	224,366
Rec. EPS (Rs)	0.8	2.35	6.4	7.8	13.3
PER (x)	120.1	39.8	14.6	12.1	7.0
Cash EPS (Rs)	1.1	4.6	11.8	14.0	21.1
Cash PER (x)	85.8	20.4	7.9	6.7	4.4
BVPS (Rs)	26.6	28.9	33.7	41.4	54.7
P/BV (x)	3.5	3.2	2.8	2.3	1.7
Net Worth (Rs mn)	57,969	63,101	80,553	99,102	130,950
Net Debt (Rs mn)	110,530	217,882	304,495	317,067	291,486
EV (Rs mn)	314,908	422,260	528,861	541,433	515,851
EV/EBITDA (x)	129.2	34.6	12.3	8.8	5.9
Net D/E (x)	1.9	3.5	3.8	3.2	2.2
Gearing Ratios					
Debt /Capitalization (x)	0.7	0.8	0.8	0.8	0.7
Net Debt /Capitalization (x)	0.7	0.8	0.8	0.8	0.7
EBITDA / Net Interest (x)	42.5	5.2	4.9	2.8	3.2
EBIT / Net Interest (x)	36.3	4.4	4.3	2.3	2.6
Net Debt / EBITDA (x)	45.3	17.9	7.1	5.2	3.4
DuPont Analysis:					
- Net profit / EBIT	81.7%	49.7%	40.5%	37.4%	44.7%
- EBIT/Sales	47.9%	48.3%	54.6%	44.4%	47.1%
- Sales / Avg. Assets	3.2%	8.8%	20.4%	27.6%	35.2%
- Assets / Networth	331.7%	400.5%	472.0%	450.0%	373.6%
RoE	4.2%	8.5%	21.3%	20.6%	27.7%
RoCE	1.5%	3.0%	6.0%	8.4%	12.2%

Source: Company, BofA Merrill Lynch Global Research

Price objective basis & risk

Adani Power Ltd. (XADPF)

Our PO of Rs124 is based on a sum-of-the-parts valuation at CoE of 13.2-14.9%. We have valued the Parent capacity of the 4620MW Mundra project at Rs44 per share, based on DCF at CoE of 13.2-13.7%. We have valued the 100% stake in the 3300MW Tiroda project at Rs72 per share on DCF basis at CoE of 14.9%. The 100% stake in the 1320MW Kawai project is valued at Rs7 per share on DCF basis at CoE of 14.8%. Risks: Project execution, financing, delivery of coal in line with linkage letters of the Ministry of Coal, 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 the potential match of demand-supply of power in India.

Link to Definitions

Energy

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

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India - Engineering/Construction/Utilities Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY				
	Adani Enterprises Ltd.	ANIEF	ADE IN	Bharat Parekh
	Adani Power Ltd.	XADPF	ADANI IN	Bharat Parekh
	Bharat Heavy	BHHEF	BHEL IN	Bharat Parekh
	Gujarat State Petronet Ltd	GJRSF	GUJS IN	Vidyadhar Ginde
	GVK Power & Infrastructure Ltd.	GVPWF	GVKP IN	Deepak Agrawala
	IL&FS Transportation Networks Ltd	XTPSF	ILFT IN	Deepak Agrawala
	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.	LNIFF	LANCI IN	Deepak Agrawala
	Larsen & Toub -G	LTORF	LTOD LI	Bharat Parekh
	Larsen & Toubro	LTOUF	LT IN	Bharat Parekh
	Nagarjuna Const	NGRJF	NJCC IN	Bharat Parekh
	NCC-GDR	XAKUF	NJGR LX	Bharat Parekh
	Reliance Infrastructure	RCTDF	RELI IN	Bharat Parekh
	Suzlon Energy	XZULF	SUEL IN	Bharat Parekh
NEUTRAL				
	GMR Infrastructure Ltd.	GMRLF	GMRI IN	Deepak Agrawala
	Gujarat Inds	GUJIF	GIP IN	Bharat Parekh
	Mundra Port SEZ	XMANF	MSEZ 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	GAIL LI	Vidyadhar Ginde
	Neyveli Lignite	NEYVF	NLC IN	Bharat Parekh
	NTPC Ltd	NTHPF	NTPC IN	Bharat Parekh
RVW				
	Essar Shipping, Ports & Logistics Ltd.	XESSF	ESRS IN	Bharat Parekh

*iQmethod*SM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill Amortization}$
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	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales}$	
EV / EBITDA	$\frac{\text{Enterprise Value}}{\text{Basic EBIT} + \text{Depreciation} + \text{Amortization}}$	

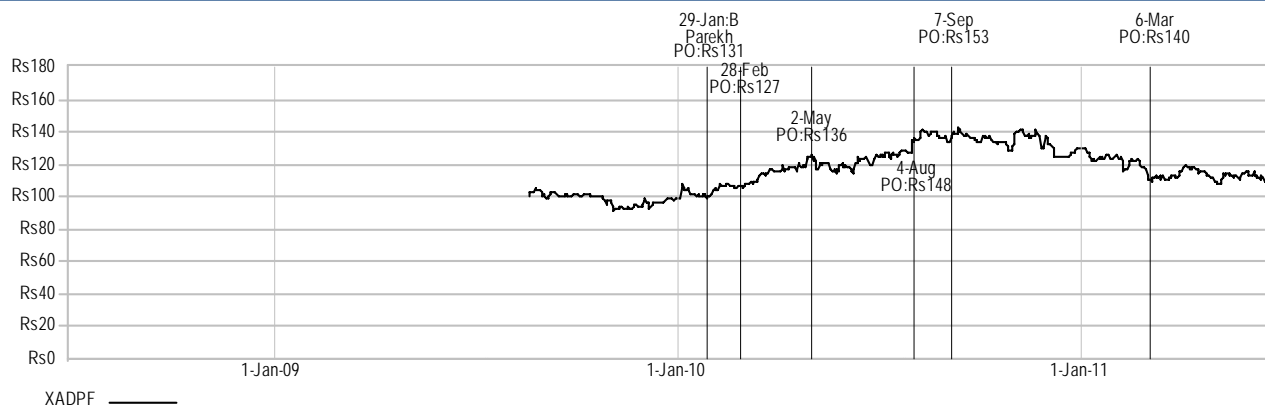
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XADPF Price Chart



B : Buy, N : Neutral, U : Underperform, PO : Price objective, NA : No longer valid, NR: No Rating

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Investment Rating Distribution: Utilities Group (as of 01 Jul 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	76	42.22%	Buy	35	51.47%
Neutral	48	26.67%	Neutral	30	69.77%
Sell	56	31.11%	Sell	20	40.00%

Investment Rating Distribution: Global Group (as of 01 Jul 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	2024	53.94%	Buy	935	50.68%
Neutral	944	25.16%	Neutral	442	51.64%
Sell	784	20.90%	Sell	273	37.24%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofA Merrill Lynch Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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