

Good 2Q as merchant sales allowed & didn't provide MAT

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2Q beat on pre-PPA merchant sales & lack of MAT prov.

APL had a good 2Q as Rec PAT grew by 137%YoY (+44%QoQ) beating consensus by 13% as APL won case v/s GUVNL to sell power on merchant before PPA start, and volumes +122%YoY. Fuels cost rose 8%YoY on INR depreciation. Cut PO to Rs112 (124) on cut in our FY12-14E EPS by 9-13% to factor in 2 months delay at most sites, generation loss on lower PLF in FY12E on start-up issues and higher coal costs at Tiroda on allocation of lower linkages by CIL. Buy APL on (1) a +3x in capacity by FY13E via an unregulated model and (2) 3.1x EPS over FY11-13E on 77% power pre-sold at good tariffs, low cost imported coal from parent, secure funding, location advantage & business model (shift to PPAs from FY13E Chart 7). Stock many go sideways till coal linkages at Mundra / Tiroda plants in 4QF'12.

2Q EBIT margin fell 180bps on inefficiency & higher fuel costs

APL 2Q gross generation at 3.3bn kWh +121%YoY. PLF of its Chinese plants was poor @ ~75% v/s JSPL 92% (Chart 2). 2Q was led by a) ASP grew 18% on 570%YoY (+295% QoQ) growth in merchant volume (higher ASP @ Rs4.7/kWh) as APL won case v/s GUVNL to sell power in merchant market before PPA starts, and b) volumes +122%YoY as capacity 2x (1.98GW vs 990MW). Fuels cost rose 8%YoY on INR depreciation. EBIT margins fell 180bps. APL didn't provide MAT of Rs450mn under-protest. Including-MAT rec. PAT would have been up 95%YoY.

Competitive advantages - coal, location and visible scale-up

APL has secured low-cost fuel via coal linkages (25% of capacity) and contracts with parent (42%). 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 good pre-sales tariffs at ~Rs2.9 (Table 2) make APL the top margin (54% FY13E) and RoE (20%) earner in our IPP universe. **Risks:** Delivery of coal in-line with linkage letters of Ministry of Coal / with contract of ADE, imported coal - exposes it to country, currency & freight risks and fall in power rates on lower power deficit.

Estimates (Mar)

(Rs)	2010A	2011A	2012E	2013E	2014E
Net Income (Adjusted - mn)	1,695	4,963	13,863	16,931	27,639
EPS	0.778	2.28	5.79	7.07	11.55
EPS Change (YoY)	NM	192.7%	154.5%	22.1%	63.2%
Dividend / Share	0	0	0	0	0
Free Cash Flow / Share	(38.38)	(64.60)	(14.99)	3.37	18.17

Valuation (Mar)

	2010A	2011A	2012E	2013E	2014E
P/E	105.97x	36.20x	14.23x	11.65x	7.13x
Dividend Yield	0%	0%	0%	0%	0%
EV / EBITDA*	200.15x	40.00x	12.08x	7.98x	5.73x
Free Cash Flow Yield*	-42.43%	-71.42%	-18.19%	4.09%	22.06%
Price/Book Value	3.41	3.14	2.51	2.07	1.60

* For full definitions of *iQmethod*SM measures, see page 9.

Stock Data

Price	Rs82.40
Price Objective	Rs112.00
Date Established	14-Nov-2011
Investment Opinion	C-1-9
Volatility Risk	HIGH
52-Week Range	Rs75.55-Rs143.00
Mrkt Val / Shares Out (mn)	US\$3,934 / 2,393.2
Market Value (mn)	Rs197,203
Average Daily Volume	821,267
BofAML Ticker / Exchange	XADPF / BSE
Bloomberg / Reuters	ADANI IN / ADAN.BO
ROE (2012E)	19.6%
Net Dbt to Eqty (Mar-2011A)	339.2%
Est. 5-Yr EPS / DPS Growth	71.8% / NA
Free Float	26.5%

Key Changes

(Rs)	Previous	Current
Price Obj.	124.00	112.00
2012E Rev (m)	69,272.9	65,202.6
2013E Rev (m)	111,686.4	114,012.1
2014E Rev (m)	151,374.0	152,475.4
2012E EPS	6.40	5.79
2013E EPS	7.75	7.07
2014E EPS	13.31	11.55

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Refer to important disclosures on page 10 to 12. Analyst Certification on Page 8. Price Objective Basis/Risk on page 8. Link to Definitions on page 8.11109550

iQprofileSM Adani Power Ltd.

Key Income Statement Data (Mar)	2010A	2011A	2012E	2013E	2014E
(Rs Millions)					
Sales	4,349	21,352	65,203	114,012	152,475
Gross Profit	2,439	12,205	40,407	61,158	85,227
Sell General & Admin Expense	NA	NA	NA	NA	NA
Operating Profit	2,079	10,319	35,259	49,277	69,605
Net Interest & Other Income	(57)	(2,360)	(8,489)	(22,069)	(27,260)
Associates	NA	NA	NA	NA	NA
Pretax Income	2,021	7,959	26,770	27,208	42,345
Tax (expense) / Benefit	(327)	(3,000)	(12,907)	(10,277)	(14,706)
Net Income (Adjusted)	1,695	4,963	13,863	16,931	27,639
Average Fully Diluted Shares Outstanding	2,180	2,180	2,393	2,393	2,393

Key Cash Flow Statement Data

Net Income	1,695	4,963	13,863	16,931	27,639
Depreciation & Amortization	361	1,886	5,148	11,881	15,622
Change in Working Capital	982	17,911	(22,139)	(812)	(3,817)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	176	5,356	15,624	26,423	32,949
Cash Flow from Operations	3,214	30,116	12,495	54,422	72,394
Capital Expenditure	(86,879)	(170,952)	(48,370)	(46,351)	(28,898)
(Acquisition) / Disposal of Investments	0	(100)	0	0	0
Other Cash Inflow / (Outflow)	533	611	(7)	1,302	1,789
Cash Flow from Investing	(86,346)	(170,441)	(48,377)	(45,049)	(27,110)
Shares Issue / (Repurchase)	3,380	0	2,132	0	0
Cost of Dividends Paid	0	0	0	0	0
Cash Flow from Financing	89,201	141,222	39,658	(5,125)	(34,265)
Free Cash Flow	(83,665)	(140,836)	(35,874)	8,071	43,495
Net Debt	94,201	232,477	280,868	294,866	278,631
Change in Net Debt	49,890	138,275	48,391	13,999	(16,235)

Key Balance Sheet Data

Property, Plant & Equipment	155,562	324,381	367,756	402,227	415,504
Other Non-Current Assets	0	0	0	0	0
Trade Receivables	2,563	4,174	3,421	7,926	13,183
Cash & Equivalents	11,654	12,551	16,328	20,576	31,594
Other Current Assets	9,502	8,780	3,649	5,982	7,625
Total Assets	179,280	349,886	391,153	436,710	467,906
Long-Term Debt	105,855	245,027	297,195	315,442	310,226
Other Non-Current Liabilities	120	3,120	10,255	14,608	20,298
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	14,502	33,203	5,179	11,205	14,288
Total Liabilities	120,477	281,350	312,629	341,255	344,811
Total Equity	58,804	68,536	78,524	95,455	123,094
Total Equity & Liabilities	179,280	349,886	391,153	436,710	467,906

iQmethodSM - Bus Performance*

Return On Capital Employed	1.6%	2.7%	5.3%	7.8%	10.6%
Return On Equity	4.2%	8.2%	19.6%	19.5%	25.3%
Operating Margin	47.8%	48.3%	54.1%	43.2%	45.7%
EBITDA Margin	56.1%	57.2%	62.0%	53.6%	55.9%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	1.9x	6.1x	0.9x	3.2x	2.6x
Asset Replacement Ratio	NM	NM	9.4x	3.9x	1.8x
Tax Rate (Reported)	16.2%	37.7%	48.2%	37.8%	34.7%
Net Debt-to-Equity Ratio	160.2%	339.2%	357.7%	308.9%	226.4%
Interest Cover	5.5x	4.0x	3.8x	2.1x	2.4x

Key Metrics

* For full definitions of iQmethodSM measures, see page 9.

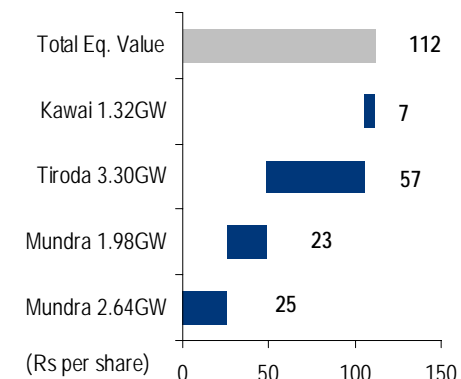
Company Description

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 3.1x 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

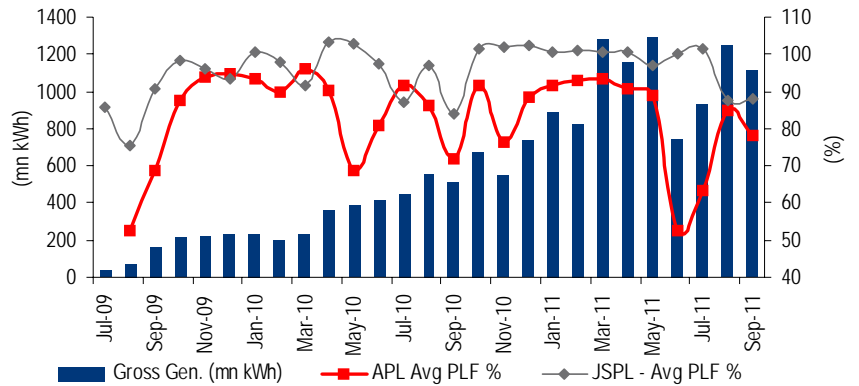
Price to Book Value 2.5x

Table 1: APL - 2QFY12 Results Review

	(Rs mn)	2QFY11R	2QFY12	%YoY
2Q PLF weak at 75% vs 82%...	Capacity (MW)	990	1,980	100.0%
	Avg PLF %	82.1%	75.4%	-8.2%
Generation grew by 121%YoY on 2x higher capacity	Gross Generation (mn kWh)	1,495	3,298	120.6%
	Aux Consumption %	10.8%	10.3%	-4.6%
	Net Generation (mn kWh)	1,334	2,959	121.8%
	PPA Volume, Gross (mn kWh)	1,174	2,135	81.9%
	Less: Units purchased	0	(249)	NA
	PPA Volume, Net (mn kWh)	1,174	1,886	60.7%
Merchant volume +570%YoY as APL won case v/s GUVNL to sell power on merchant before PPA start	Merchant Volume (mn kWh)	160	1,073	570.3%
	Total Volume (mn kWh)	1,334	2,959	121.8%
	PPA Sale	3,171	5,621	77.3%
	- Rs/kWh	2.70	2.63	-2.5%
	Other Custom Duty recovery	0	210	NA
	UI Charges	0	50	NA
	Green Cess	0	30	NA
	Less: Power Purchased & Sold	0	(630)	NA
	- Rs/kWh	0.00	2.53	NA
	PPA & Other Charges, Net	3,171	5,281	66.6%
	- Rs/kWh	2.70	2.80	3.7%
	Merchant Sale	781	5,043	545.6%
	- Rs/kWh	4.88	4.70	-3.7%
Sales up 161%YoY on higher merchant volume ...	Electricity Sales	3,952	10,324	161.3%
	- Rs/kWh	2.96	3.49	17.8%
	Other Op. Income	0	0	NA
	Total Op. Income	3,952	10,324	161.3%
	Fuel Costs	1,576	3,769	139.2%
	- Rs/kWh	1.18	1.27	7.8%
	- % of Op. Income	39.9%	36.5%	-337bps
	Staff & Other O&M Costs	281	1,153	310.2%
	- Rs/kWh	0.21	0.39	84.9%
	- % of Op. Income	7.1%	11.2%	405bps
	Total Op. Expenses	1,857	4,921	165.1%
	- Rs/kWh	1.39	1.66	19.5%
	- % of Op. Income	47.0%	47.7%	68bps
	EBITDA	2,095	5,403	157.9%
	- Rs/kWh	1.57	1.83	16.3%
	EBITDA Margin	53.0%	52.3%	-68bps
	Depreciation	358	1,053	193.7%
	- Rs/kWh	0.27	0.36	32.4%
	EBIT	1,736	4,350	150.5%
	- Rs/kWh	1.30	1.47	12.9%
	EBIT Margin	43.9%	42.1%	-181bps
	Interest Income	318	512	61.0%
	Interest Expenses	773	1,848	139.1%
	- Rs/kWh	0.58	0.62	7.8%
Not provide MAT of Rs450mn under-protest...	Interest Expenses, net	455	1,336	193.8%
	- Rs/kWh	0.34	0.45	32.5%
	Other Income	0	6	NA
Rec PAT +137%YoY...	PBT	1,282	3,020	135.6%
	- Rs/kWh	0.96	1.02	6.2%
	PBT Margin	32.4%	29.3%	-318bps
	Tax	211	478	126.9%
	Tax rate %	16.4%	15.8%	-61bps
while reported PAT grew by 41%YoY on Rs558mn MTM loss on derivatives, Rs607mn exchange loss on o/s creditors for fuel and Rs400mn of prior period receivables vs Rs188mn exchange gain on o/s creditors for fuel	Rec PAT	1,071	2,542	137.4%
	- Rs/kWh	0.80	0.86	7.0%
	Rec PAT Margin	27.1%	24.6%	-248bps
	Extra ord. & Except.	188	(767)	-508.8%
	Rep PAT	1,258	1,775	41.0%

Source: Company, BofA Merrill Lynch Global Research

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



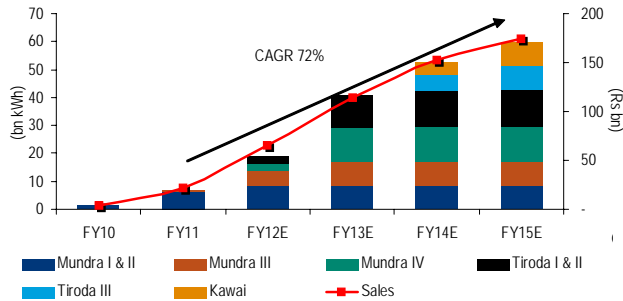
Source: Ministry of Power, BofA Merrill Lynch Global Research

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

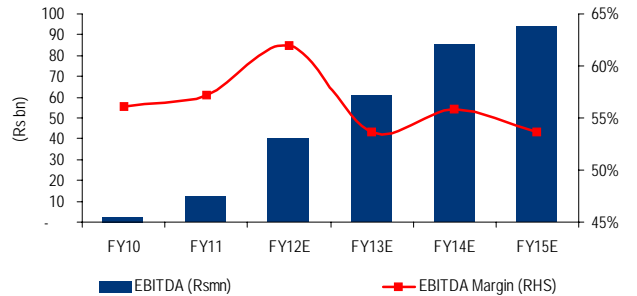
Source: Company

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



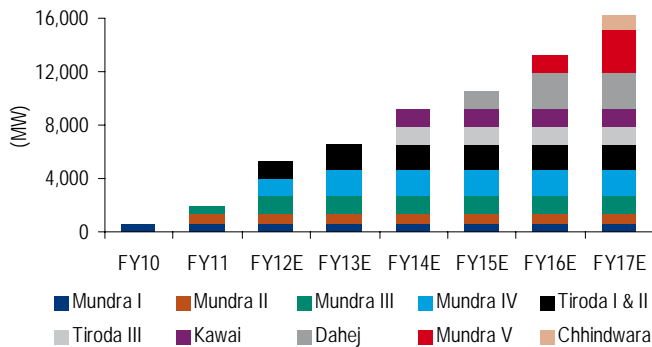
Source: Company, BofA Merrill Lynch Global Research

Chart 4: APL: EBITDA & EBITDA margin



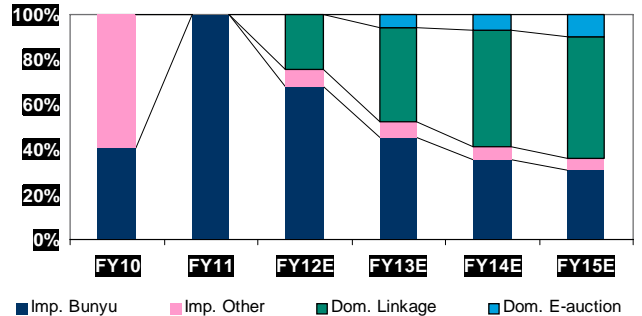
Source: Company, BofA Merrill Lynch Global Research

Chart 5: APL: Likely Planned capacity



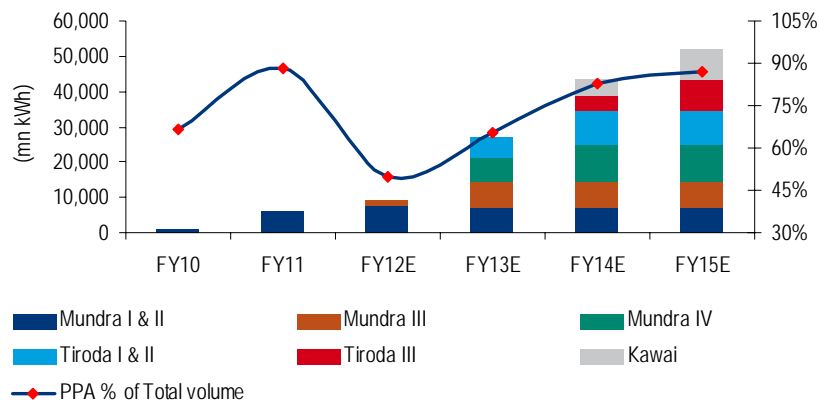
Source: Company, BofA Merrill Lynch Global Research

Chart 6: APL: Coal Mix



Source: Company, BofA Merrill Lynch Global Research

Chart 7: APL: 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 (%)	Eq. Value (Rs mn)	APL's Attributable Value		
								Eq. Value (Rs mn)	Eq. Value (Rs/sh)	% of Total
Mundra TPP	4620						115,316	115,316	48	43.0%
Mundra I, II & III	2640	100.0%	8.3%	1.0	5.5%	13.8%	60,880	60,880	25	22.7%
Mundra IV	1980	100.0%	8.3%	1.0	6.0%	14.3%	54,436	54,436	23	20.3%
Tiroda TPP	3300						136,526	136,526	57	50.9%
Tiroda I, II & III	3300	100.0%	8.3%	1.0	6.5%	14.8%	136,526	136,526	57	50.9%
Kawai TPP	1320						16,343	16,343	7	6.1%
Kawai TPP	1320	100.0%	8.3%	1.0	6.5%	14.8%	16,343	16,343	7	6.1%
Total	9240		8.3%	1.0	6.1%	14.4%	268,186	268,186	112	100.0%

Source: BofA Merrill Lynch Global Research

Table 4: Adani Power (Cons) - Estimate change

(Rs mn)	Old	New	% Change
EBITDA			
FY12E	43,168	40,407	-6.4%
FY13E	61,436	61,158	-0.5%
FY14E	86,871	85,227	-1.9%
PAT post-minority			
FY12E	15,318	13,863	-9.5%
FY13E	18,544	16,931	-8.7%
FY14E	31,842	27,639	-13.2%
EPS (Rs)			
FY12E	6.4	5.8	-9.5%
FY13E	7.7	7.1	-8.7%
FY14E	13.3	11.5	-13.2%

Source: BofA Merrill Lynch Global Research

Table 5: Adani Power (Cons) - Profit & Loss statement

FY ends on Mar 31st, (Rs mn)	FY10	FY11	FY12E	FY13E	FY14E
Power Sold (mn kWh)	1,221	6,810	18,767	40,883	52,586
Electricity Sale	4,349	21,064	64,107	111,981	149,982
- Rs / kWh	3.56	3.09	3.42	2.74	2.85
CER's sale	-	-	841	1,207	1,225
Ash sale / Other Op. Income	-	288	254	825	1,269
Total Revenue	4,349	21,352	65,203	114,012	152,475
- Rs / kWh	3.56	3.14	3.47	2.79	2.90
Coal cost	1,450	6,844	19,699	42,641	54,266
- % of Total Revenue	33.3%	32.1%	30.2%	37.4%	35.6%
Fuel oil cost	217	369	1,017	2,179	2,887
- % of Total Revenue	5.0%	1.7%	1.6%	1.9%	1.9%
O&M costs	242	1,934	4,080	8,035	10,095
- % of Total Revenue	5.6%	9.1%	6.3%	7.0%	6.6%
Total Operating Expenses	1,909	9,147	24,795	52,854	67,248
EBITDA	2,439	12,205	40,407	61,158	85,227
- EBITDA Margin	56.1%	57.2%	62.0%	53.6%	55.9%
Depreciation	361	1,886	5,148	11,881	15,622
EBIT	2,079	10,319	35,259	49,277	69,605
- EBIT Margin	47.8%	48.3%	54.1%	43.2%	45.7%
Interest expenses	377	2,550	9,402	23,371	29,049
Interest Income	319	190	913	1,302	1,789
PBT	2,021	7,959	26,770	27,208	42,345
- PBT Margin	46.5%	37.3%	41.1%	23.9%	27.8%
Income Tax	327	3,000	12,907	10,277	14,706
Rec. PAT Pre-Minority	1,694	4,959	13,863	16,931	27,639
- Rec. PAT Margin - Pre Minority	39.0%	23.2%	21.3%	14.8%	18.1%
Minority Interest	(1)	(4)	-	-	-
Rec. PAT Post-Minority	1,695	4,963	13,863	16,931	27,639
- Rec. PAT Margin - Post Minority	39.0%	23.2%	21.3%	14.8%	18.1%
Exceptional Income / (Exp)	-	173	(767)	-	-
Rep. PAT	1,695	5,136	13,096	16,931	27,639

Source: Company, BofA Merrill Lynch Global Research

Table 6: Adani Power (Cons) - Balance Sheet

FY ends on Mar 31st, (Rs mn)	FY10	FY11	FY12E	FY13E	FY14E
Share Capital	21,800	21,800	23,932	23,932	23,932
Reserve & Surplus	35,980	41,073	54,592	71,522	99,162
Networth	57,780	62,873	78,524	95,455	123,094
Minority Interest	1,023	5,663	-	-	-
Total Loan Funds	105,855	245,027	297,195	315,442	310,226
Other Liab / DTL	120	3,120	10,255	14,608	20,298
Total Networth & Liab.	164,778	316,683	385,974	425,505	453,617
Gross Block	28,549	90,283	245,588	314,471	450,811
Less: Accumulated Depreciation	678	2,811	7,806	19,686	35,308
Net Block	27,871	87,472	237,783	294,785	415,504
CWIP	127,691	236,909	129,973	107,442	-
Investments	0	100	100	100	100
Inventories	95	2,836	3,549	5,882	7,525
Debtors	2,563	4,174	3,421	7,926	13,183
Cash Balance	11,654	12,551	16,328	20,576	31,594
Loans & Advances	9,406	5,844	-	-	-
Current Assets, Loans & Adv	23,718	25,405	23,297	34,383	52,302
Current Liab. & Provisions	14,502	33,203	5,179	11,205	14,288
Net Current Assets	9,216	(7,798)	18,118	23,178	38,014
Total Assets	164,778	316,683	385,974	425,505	453,617

Source: Company, BofA Merrill Lynch Global Research

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

FY ends on Mar 31st, (Rs mn)	FY10	FY11	FY12E	FY13E	FY14E
PAT before Minority interest	1,694	4,959	13,863	16,931	27,639
Add: Depreciation	361	1,886	5,148	11,881	15,622
Add: Interest Exp	377	2,550	9,402	23,371	29,049
Add: Deferred Tax	327	3,000	7,135	4,353	5,689
Less: Other Income	(319)	(190)	(913)	(1,302)	(1,789)
Net change in Working Capital	982	17,911	(22,139)	(812)	(3,817)
Others	(207)	0	0	0	0
Cash Flow from Operations	3,214	30,116	12,495	54,422	72,394
Capex	(86,879)	(170,952)	(48,370)	(46,351)	(28,898)
Changes in Investment	(0)	(100)	0	0	0
Other Income	319	190	913	1,302	1,789
Others	214	421	(920)	0	(0)
Cash Flow from Investments	(86,346)	(170,441)	(48,377)	(45,049)	(27,110)
Changes in Share Capital	3,380	0	2,132	0	0
Changes in Reserves	29,915	(43)	423	0	0
Changes in Minority Interest	325	4,643	(5,663)	0	0
Changes in Debt	55,958	139,172	52,168	18,247	(5,216)
Dividend paid	0	0	0	0	0
Interest paid	(377)	(2,550)	(9,402)	(23,371)	(29,049)
Others	0	0	0	0	0
Cash Flow from Financing	89,201	141,222	39,658	(5,125)	(34,265)
Change in Cash	6,068	897	3,777	4,248	11,019
Opening Cash balance	5,585	11,654	12,551	16,328	20,576
Closing Cash balance	11,654	12,551	16,328	20,576	31,594

Source: Company, BofA Merrill Lynch Global Research

Table 8: Adani Power (Cons) - Key Ratio & Valuations

FY ends on Mar 31st	FY10	FY11	FY12E	FY13E	FY14E
Shares o/s (mn)	2,180	2,180	2,393	2,393	2,393
Price (Rs)	82	82	82	82	82
Market Cap (Rs mn)	179,635	179,635	197,203	197,203	197,203
Rec. EPS (Rs)	0.8	2.28	5.8	7.1	11.5
PER (x)	106.0	36.2	14.2	11.6	7.1
Cash EPS (Rs)	1.1	4.5	10.9	13.9	20.5
Cash PER (x)	75.4	18.2	7.5	5.9	4.0
BVPS (Rs)	26.5	28.8	32.8	39.9	51.4
P/BV (x)	3.1	2.9	2.5	2.1	1.6
Net Worth (Rs mn)	57,780	62,873	78,524	95,455	123,094
Net Debt (Rs mn)	94,201	232,376	280,768	294,766	278,531
EV (Rs mn)	274,860	417,674	477,971	491,969	475,734
EV/EBITDA (x)	112.7	34.2	11.8	8.0	5.6
Net D/E (x)	1.6	3.4	3.6	3.1	2.3
Gearing Ratios					
Debt /Capitalization (x)	0.6	0.8	0.8	0.7	0.7
Net Debt /Capitalization (x)	0.6	0.8	0.8	0.7	0.7
EBITDA / Net Interest (x)	20.7	5.2	4.8	2.8	3.1
EBIT / Net Interest (x)	17.6	4.4	4.1	2.2	2.6
Net Debt / EBITDA (x)	38.6	19.0	6.9	4.8	3.3
DuPont Analysis:					
- Net profit / EBIT	81.6%	48.1%	39.3%	34.4%	39.7%
- EBIT/Sales	47.8%	48.3%	54.1%	43.2%	45.7%
- Sales / Avg. Assets	3.7%	8.9%	18.6%	28.1%	34.7%
- Assets / Networth	295.6%	399.0%	496.9%	466.4%	402.3%
RoE	4.2%	8.2%	19.6%	19.5%	25.3%
RoCE	1.7%	2.7%	5.3%	7.8%	10.6%

Source: Company, BofA Merrill Lynch Global Research

Price objective basis & risk

Adani Power Ltd. (XADPF)

Our PO of Rs112 is based on a sum-of-the-parts valuation at CoE of 13.8-14.8%. We valued the Parent capacity of the 4620MW Mundra project at Rs48 per share, based on DCF at CoE of 13.8-14.3%. We valued the 100% stake in the 3300MW Tiroda project at Rs57 per share on DCF basis at CoE of 14.8%. 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 Power Ltd.	XADPF	ADANI IN	Bharat Parekh
	Essar Ports	ESHPP	ESRS IN	Deepak Agrawala
	Gujarat State Petronet Ltd	GJRSP	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.	LNIF	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
	Suzlon Energy	XZULF	SUEL IN	Bharat Parekh
NEUTRAL				
	Adani Enterprises Ltd.	ANIEF	ADE IN	Bharat Parekh
	Gujarat Inds	GUJIF	GIP IN	Bharat Parekh
	Larsen & Toub -G	LTORF	LTOD LI	Bharat Parekh
	Larsen & Toubro	LTOUF	LT 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	GAID LI	Vidyadhar Ginde
	GMR Infrastructure Ltd.	GMRLF	GMRI IN	Deepak Agrawala
	Neyveli Lignite	NEYVF	NLC IN	Bharat Parekh
	NTPC Ltd	NTHPF	NTPC IN	Bharat Parekh
RSTR				
	Bharat Heavy	BHHEF	BHEL 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	$\frac{\text{Enterprise Value} + \text{Other LT Liabilities}}{\text{Enterprise Value}}$	Basic EBIT + Depreciation + Amortization

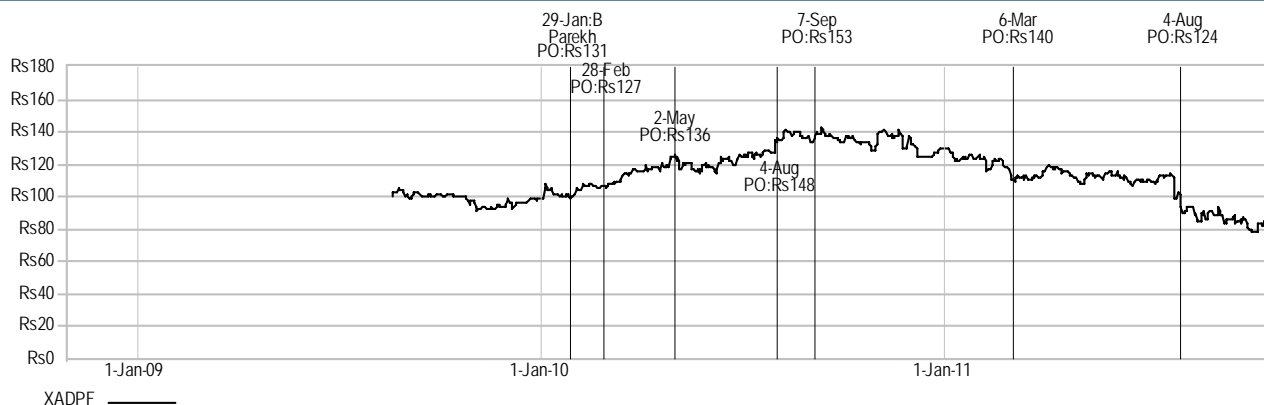
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XADPF Price Chart



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 Oct 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	82	45.30%	Buy	35	48.61%
Neutral	46	25.41%	Neutral	29	65.91%
Sell	53	29.28%	Sell	21	45.65%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	2073	54.13%	Buy	923	49.12%
Neutral	961	25.09%	Neutral	460	52.57%
Sell	796	20.78%	Sell	287	38.32%

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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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