

Morgan Stanley India Company  
Private Limited+

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November 29, 2011

Stock Rating  
**Underweight**

Industry View  
**Cautious**

## Adani Power

### Commercial Delays and Weak Rupee

#### What's Changed

Price Target	<b>Rs70.00 to Rs60.00</b>
F2012/F2013 EPS	<b>-8%/ -11%</b>

**Commercialization delays and higher fuel costs due to a weaker rupee will be new issues to watch. We are about 36-49% lower than consensus on earnings, and we remain Underweight given expensive valuations.**

**Adani Power's F1H12 earnings achieved 45% of our revised F2012 earnings estimate:** While F1Q was weak due to lower generation and lower merchant volumes, 2Q was in line with our estimate. However, we have cut our earnings estimates for F2012 to reflect delays in commercial operations of new units and for F2013 due to lower PLF for Tiroda I & II. Further, a weaker rupee (against the USD) raises coal costs over the years. We continue to assign a 70% probability to our base-case value and 30% to our bear-case value to derive our price target. We have limited visibility on our bull case, which assumes higher merchant rates, allocation of the Lohara captive coal block, and optionality from additional generation capacity.

**Where we differ:** Our earnings for F2012e and F2013e are 36% and 49% lower than consensus, respectively. We believe lower generation (due to commercialization delays), lower merchant upside, and higher coal cost are key reasons for the difference.

**Valuation multiples may look expensive as earnings are lowered:** Given the cuts in our earnings estimates, the stock is now trading at F2013e P/E multiple of 13.4x, which is expensive relative to other IPPs.

**Potential triggers:** Improvement in domestic coal availability or a cooling off of imported coal prices could help earnings. Allotment of the Lohara captive coal block could be a significant trigger for the stock, in our view.

#### Key Ratios and Statistics

Reuters: ADAN.BO Bloomberg: ADANI IN

#### India Utilities

Price target	Rs60.00
Up/downside to price target (%)	(18)
Shr price, close (Nov 28, 2011)	Rs72.85
52-Week Range	Rs140.00-70.30
Sh out, dil, curr (mn)	2,180
Mkt cap, curr (mn)	Rs158,816
Avg daily trading value (mn)	Rs132

Fiscal Year (Mar)	03/11	03/12e	03/13e	03/14e
ModelWare EPS (Rs)	2.36	4.34	5.33	13.68
Prior ModelWare EPS (Rs)	2.36	4.71	6.01	15.00
Revenue, net (Rs mn)	21,218	47,300	109,489	158,054
EBITDA (Rs mn)	12,204	23,208	52,140	86,905
ModelWare net inc (Rs mn)	5,135	9,469	11,630	29,827
P/E	47.9	16.8	13.7	5.3
P/BV	3.9	2.2	1.9	1.4
EV/EBITDA	39.9	19.6	9.6	5.7
Div yld (%)	-	-	-	-

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).  
e = Morgan Stanley Research estimates

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November 29, 2011  
Adani Power

## Financial Summary

### Profit and loss statement

Rs Mn (Year-end March 31)	F2011	F2012e	F2013e	F2014e	F2015e
Proportionate Capacity (MW)	1,011	2,396	6,105	7,859	9,240
Year End Capacity (MW)	1,980	3,960	6,600	9,240	9,240
Proportionate PPA Capacity (MW)	873	1,804	4,659	5,970	7,730
Proportionate Merchant Capacity (MW)	138	592	1,445	1,888	1,510
Total No of Salable Units (Mn Kwh)	6,821	15,181	38,593	51,338	61,164
Total PPA tied up (Mn Kwh)	5,925	11,491	29,548	39,192	51,127
Total Merchant (Mn Kwh)	896	3,690	9,046	12,146	10,037
Tariff (Rs/unit)	3.07	3.12	2.84	3.08	3.07
Fuel cost - coal (Rs/unit)	1.03	1.41	1.33	1.24	1.24

<b>Revenue</b>	<b>21,218</b>	<b>47,300</b>	<b>109,489</b>	<b>158,054</b>	<b>187,687</b>
Long Term Revenue	16,657	31,803	73,306	109,471	147,539
Merchant Revenue	4,274	15,498	36,183	48,583	40,148
Fleet revenue	288	-	-	-	-
<b>Expenses</b>	<b>9,014</b>	<b>24,092</b>	<b>57,349</b>	<b>71,149</b>	<b>85,078</b>
Coal Charges	7,042	21,385	51,463	63,511	75,879
O&M Expenses	1,803	2,707	5,886	7,638	9,200
Rebate	-	-	-	-	-
General expenses	-	-	-	-	-
Fleet expenses	170	-	-	-	-
<b>EBITDA</b>	<b>12,204</b>	<b>23,208</b>	<b>52,140</b>	<b>86,905</b>	<b>102,609</b>
Depreciation	1,885	4,407	13,153	17,377	20,735
<b>EBIT</b>	<b>10,319</b>	<b>18,802</b>	<b>38,986</b>	<b>69,528</b>	<b>81,875</b>
Interest on Principal Loan	2,360	6,857	21,827	27,618	31,196
Interest on Working Capital	2	286	1,568	2,408	2,889
Other Income	173	184	5	5	3

<b>PBT</b>	<b>8,131</b>	<b>11,842</b>	<b>15,596</b>	<b>39,508</b>	<b>47,792</b>
Income Tax Payable	3,000	2,370	3,109	7,874	9,525
Tax rate (%)	36.9%	20.0%	19.9%	19.9%	19.9%
<b>PAT</b>	<b>5,131</b>	<b>9,473</b>	<b>12,487</b>	<b>31,634</b>	<b>38,266</b>
Minority Interest	(4)	3	857	1,806	2,758
<b>PAT after Minority Interest</b>	<b>5,135</b>	<b>9,469</b>	<b>11,630</b>	<b>29,827</b>	<b>35,509</b>
EPS (Rs)	2.36	4.34	5.33	13.68	16.29
DPS (Rs)	-	-	-	-	-

### Cash flow statement

Rs Mn (Year-end March 31)	F2011	F2012e	F2013e	F2014e	F2015e
<b>PAT</b>	<b>5,131</b>	<b>9,473</b>	<b>12,487</b>	<b>31,634</b>	<b>38,266</b>
Depreciation	1,885	4,407	13,153	17,377	20,735
Change in working capital	1,179	(9,962)	(9,054)	(6,490)	(4,376)
<b>Cash flow from operating activities</b>	<b>8,195</b>	<b>3,917</b>	<b>16,587</b>	<b>42,520</b>	<b>54,625</b>
Capex	(154,231)	(59,036)	(59,941)	(37,809)	(0)
Investments	-	-	-	-	-
<b>Cash flow from investing activities</b>	<b>(154,231)</b>	<b>(59,036)</b>	<b>(59,941)</b>	<b>(37,809)</b>	<b>(0)</b>
Equity issuance	(42)	-	-	-	-
Debt proceeds/repayment	139,172	45,296	42,035	(5,887)	(54,605)
Minority Interest	7,643	(2,385)	1,563	980	-
Miscellaneous	-	-	-	-	-
<b>Cash flow from financing activities</b>	<b>146,773</b>	<b>42,911</b>	<b>43,598</b>	<b>(4,907)</b>	<b>(54,605)</b>
Change in cash	737	(12,208)	243	(196)	21
Opening Cash	11,505	12,242	35	278	82
<b>Closing Cash</b>	<b>12,242</b>	<b>35</b>	<b>278</b>	<b>82</b>	<b>103</b>

### Balance Sheet

Rs Mn (Year-end March 31)	F2011	F2012e	F2013e	F2014e	F2015e
<b>Liabilities</b>					
Share Capital	21,800	21,800	21,800	21,800	21,800
Share Premium	29,818	29,818	29,818	29,818	29,818
Reserves and Others	11,255	20,724	32,354	62,182	97,690
Miscellaneous Expenditure	-	-	-	-	-
Shareholders funds	62,873	72,343	83,972	113,800	149,309
Total Debt	245,027	290,323	332,358	326,472	271,867
Minority Interest	8,783	6,401	8,821	11,607	14,365
<b>Total Liabilities</b>	<b>316,683</b>	<b>369,067</b>	<b>425,152</b>	<b>451,879</b>	<b>435,541</b>

<b>Assets</b>					
Gross Block	90,213	174,952	306,946	447,571	447,571
Acc Dep	2,342	6,748	19,901	37,278	58,013
Net Block	87,872	168,204	287,044	410,292	389,558
CWIP	220,185	194,482	122,431	19,615	19,615
Investments	0	0	0	0	0
Cash and bank	12,242	35	278	82	103
Working Capital	(3,616)	6,346	15,400	21,890	26,266
<b>Total assets</b>	<b>316,683</b>	<b>369,067</b>	<b>425,152</b>	<b>451,879</b>	<b>435,541</b>

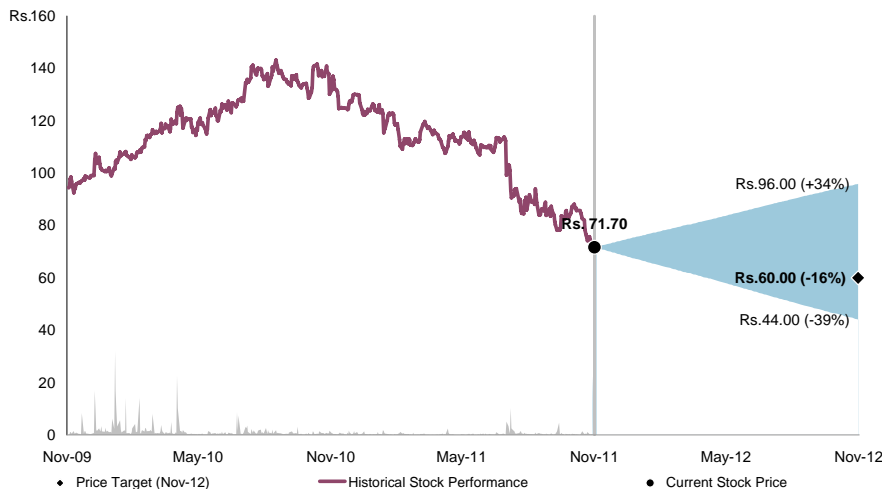
### Ratio Analysis

(Year-end March)	F2011	F2012e	F2013e	F2014e	F2015e
<b>Growth (%)</b>					
Revenues	388%	123%	131%	44%	19%
EBITDA	401%	90%	125%	67%	18%
EBIT	395%	82%	107%	78%	18%
Net Profit	202%	84%	23%	156%	19%
EPS	187%	84%	23%	156%	19%
<b>Margins (%)</b>					
EBITDA	58%	49%	48%	55%	55%
EBIT	49%	40%	36%	44%	44%
EBT	38%	25%	14%	25%	25%
Net Profit	24%	20%	11%	19%	19%
<b>Return (%)</b>					
ROE	9%	14%	15%	30%	27%
ROCE	4%	5%	10%	16%	18%
ROA	4%	5%	10%	16%	18%
<b>Gearing</b>					
Debt/Equity	3.90	4.01	3.96	2.87	1.82
Net Debt/Equity	3.70	4.01	3.95	2.87	1.82
<b>Valuations</b>					
EV/EBITDA	31.9	19.2	9.4	5.6	4.2
P/E	30.4	16.5	13.4	5.2	4.4
P/BV	2.5	2.2	1.9	1.4	1.0
Dividend Yield (%)	0%	0%	0%	0%	0%

e= Morgan Stanley Research Estimates; Source: Company data, Morgan Stanley Research

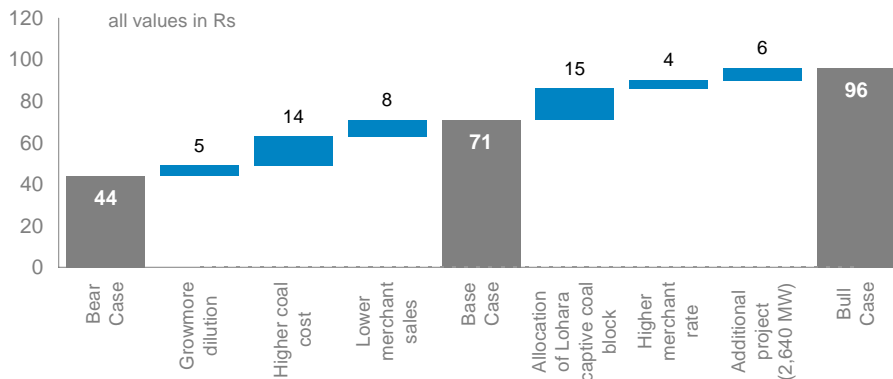
## Risk-Reward Snapshot: Adani Power (ADAN.BO, Rs71.70, UW, PT Rs60)

### Risk-Reward View: Downside Risks Due to Coal Issues



Price Target Rs60		Probability weighted: 70% base case and 30% bear case (rounded).
<b>Bull Case</b> Rs96	Implies 22x bull-case F12E P/E	<b>Higher capacity and higher merchant tariffs:</b> This scenario assumes the 2,640 MW Dahej plant, 5% higher spot tariff, and possible allotment of Lohara captive coal block.
<b>Base Case</b> Rs71	Implies 16.3x base-case F12E P/E	<b>Capacity of 9,240 MW by F2014:</b> Healthy mix of PPA and short-term sales. Generation business valued at Rs71/share (Rs81/sh previously). 15.5% (15.3%) COE and 2% terminal growth rate.
<b>Bear Case</b> Rs44	Implies 11.2x bear-case F12E P/E	<b>Lower merchant sales and higher coal cost:</b> We assume 10% lower merchant rates, lower proportion of domestic coal than in our base case, and dilution impact due to merger of Growmore.

### Bear to Bull: Coal Is the Key Driver



Source: Morgan Stanley, FactSet

### Investment Thesis

- F1H12 numbers were operationally weak due to lower generation and lower merchant sales. While 2H should record growth over 1H, we believe delays in commercialization have dampened growth.
- We have cut our F2012e and F2013e EPS by 8% and 11%, respectively, to reflect commercialization delays and higher coal cost due to rupee depreciation.
- Our earnings for F2012e and F2013e are now 36% and 49% lower than consensus, respectively.
- The stock is trading at a P/E multiple of 13.4x F2013e P/E, which is expensive relative to other IPPs.

### Key Value Drivers

- Capacity and commissioning timelines.
- PPA sales and merchant tariffs.
- Coal costs.

### Potential Catalysts

- Equipment ordering for Dahej, Chhindwara and Bhadrashwar projects.
- Possible resolution on allocation of Lohara coal mines for the Tiroda power plant.
- Clarity on captive coal supplies from Australia and Sumatra.

### Risks

**Upside:** Improvement in fuel security, positive news flow on execution, better operational efficiencies, positive developments on projects in development phase.  
**Downside:** Change in regulations, execution delays, slowdown in capex, further deterioration in financial health of SEBs.

## Investment Case

We maintain our UW rating on the stock with a new price target of Rs60. Our key issues on Adani Power remain the same:

- Lower generation:** Gross generation has been disappointing due to a combination of operational issues, seasonality in demand, and backing-down by SEBs. As an example, generation in F1Q12 was 12% lower than our estimate, while in F2Q12 generation missed our target by 13%.
- Commercialization delays:** While Mundra III unit 2 and Mundra IV unit 1 have been synchronized, they have still not been declared commercial. Hence, the performance of these units is still not reflected in the P&L (as it will be capitalized). We believe these delays could be due to a lack of transmission capacity, a lack of demand in the merchant market (due to SEB backing down), etc. One of the key reasons for the cut in our earning estimates is further commercialization delays.
- Coal challenges:** There are two issues: 1) Bunyu supplies may taper off in F2H12 since management

expects only 4mnt of supplies in F2012 and 7-8mnt in F2013; and 2) a weaker rupee against the USD will increase fuel costs. Our current forecasts include management's estimates on Bunyu coal supplies and a Rs/USD average rate of 47.5.

- Consensus earnings are aggressive:** We have cut our F2012 and 2013 earnings forecasts by 8% and 11%, respectively, and we are now 36-49% lower than consensus for these years. As can be seen in Exhibit 1, consensus earnings are skewed to F2H12. As well, there appears to be a disconnect between the sum of consensus quarterly forecasts and the full-year estimates. We expect consensus earnings to come down, which will likely hurt stock performance. On our estimates, the stock is expensive, trading at 16.5x F2012e and 13.4x F2013e P/E.

The stock has underperformed the Sensex by 28% YTD. We believe commercial delays, lower generation, and coal issues will continue to affect financial performance. We maintain our Underweight rating on the stock.

Exhibit 1

### Disconnect between Consensus Quarterly and Consensus Full-year Estimate for F2012

	F1Q12	F2Q12	F3Q12e	F4Q12e	Total as per Qtrly (F2012)	F2012e	F2013e
	a	b	c	d	e = a+b+c+d		
Earning - Consensus (Rs mn)	1,769	2,511	3,568	4,587	12,435	14,700	23,018
Earning - MSe (Rs mn)	1,769	2,511	2,709	2,481	9,469	9,469	11,630
<b>MS vs Consensus</b>			<b>-24%</b>	<b>-46%</b>	<b>-24%</b>	<b>-36%</b>	<b>-49%</b>
EPS - Consensus (Rs)					5.70	6.74	10.56
EPS - MSe (Rs)					4.34	4.34	5.33
<b>P/E - Consensus</b>					<b>12.6</b>	<b>10.7</b>	<b>6.8</b>
<b>P/E - MS</b>					<b>16.6</b>	<b>16.6</b>	<b>13.5</b>

Source: Company data, Bloomberg, Morgan Stanley Research; e = estimates

### F1H12 Performance – Low PLF and Merchant Sales

Adani Power reported F1H12 adjusted revenue of Rs18.5bn (up 147% YoY), EBITDA of Rs9.5bn (up 115% YoY), and adjusted earnings (adjusted for forex loss of Rs558mn, MTM expense on future coal contracts of Rs618mn, and other non-recurring income of Rs440mn) of Rs4.3bn (up 78% YoY).

The gross generation was low in F1H12 at 6.5bn units (average PLF of about 75%) due to the maintenance shutdown of units and weak demand during the monsoon months. The company took maintenance shutdowns at unit 1 for 30 days, unit 2 for 15 days, and unit 4 for 13 days in F1H12 in addition to the shutdown of unit 5 for 20 days (in order to synchronize unit 6). While average realization were lower than estimated in F1Q

due to lower merchant volumes, the company substantially increased merchant sales in F2Q given the bilateral contract with Uttar Pradesh.

The company has achieved 45% of our revised F2012 earning estimate so far.

Exhibit 2

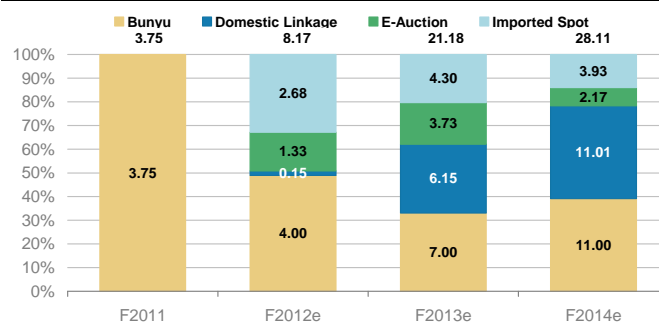
## Adani Power: F1H12 Standalone Results

Rs mn	F1H11	F1H12	YoY
Gross Generation (MU)	2,648	6,488	145%
Net Generation (MU)	2,364	5,857	148%
<b>Total Revenues</b>	<b>7,483</b>	<b>18,471</b>	<b>147%</b>
<b>Total Expenditure</b>	<b>3,068</b>	<b>8,997</b>	<b>193%</b>
Material cost	2,486	7,092	185%
<i>per unit cost</i>	1.05	1.21	15%
Employee cost	135	239	77%
Other Expenditure	447	1,666	273%
<b>EBITDA</b>	<b>4,415</b>	<b>9,474</b>	<b>115%</b>
<i>EBITDA margin</i>	59%	51%	-770 bps
Depreciation	638	2,093	228%
<b>EBIT</b>	<b>3,777</b>	<b>7,382</b>	<b>95%</b>
Other income	79	87	11%
Interest and finance charges	888	2,223	150%
<b>PBT</b>	<b>2,968</b>	<b>5,246</b>	<b>77%</b>
Taxation	565	966	71%
<i>Tax rate (%)</i>	19%	18%	-61 bps
<b>PAT</b>	<b>2,403</b>	<b>4,280</b>	<b>78%</b>
Extraordinary items	0	-736	
<b>Reported PAT</b>	<b>2,403</b>	<b>3,543</b>	<b>47%</b>

Source: Company Data, Morgan Stanley Research

Exhibit 3

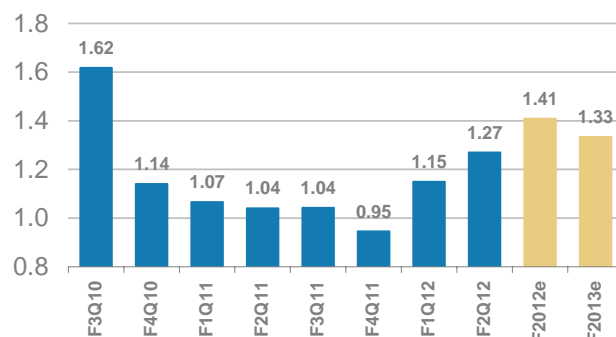
## Fuel Sourcing Mix: Dependence on Coal India Set to Increase in F2013-14



Source: Company Data, Morgan Stanley Research; e = Morgan Stanley Research estimates

Exhibit 4

## Fuel Cost per Unit (Rs/unit) to Rise



Source: Company Data, Morgan Stanley Research; e = Morgan Stanley Research estimates

## Commissioning Delays and Lower Merchant Volumes

Of current capacity, 1,980 MW is commercial, and the commercialization of the second supercritical unit of Mundra III has already missed our earlier estimate. We now expect the unit to be commercialized by November 31.

We are estimating 15-60 day delays in the commercialization of some of the other units (Exhibit 5), including the first unit at Mundra IV, which has already been synchronized. We now expect the unit to be commercialized only by December 15. We understand that lack of transmission capacity is one of the key reasons behind the delay in the commercialization of the units.

Exhibit 5

### Change in CoD from our Earlier Estimate

Unit	Size (MW)	Old	New	Delay (days)
Mundra III - unit 2	660	31-Oct-11	30-Nov-11	30
Mundra IV - unit 1	660	30-Nov-11	15-Dec-11	15
Mundra IV - unit 2	660	1-Apr-12	1-Apr-12	-
Mundra IV - unit 3	660	30-Apr-12	30-Apr-12	-
Tiroda I & II - unit 1	660	30-Mar-12	30-Mar-12	-
Tiroda I & II - unit 2	660	30-Jun-12	30-Jun-12	-
Tiroda I & II - unit 3	660	30-Aug-12	30-Aug-12	-
Tiroda III - unit 1	660	16-Oct-13	15-Nov-13	30
Tiroda III - unit 2	660	15-Dec-13	15-Dec-13	-
Kawai - unit 1	660	2-Jun-13	1-Aug-13	60
Kawai - unit 2	660	31-Aug-13	31-Aug-13	-

Source: Company Data, Morgan Stanley Research

On merchant capacity, we assume that 3.7bn units will be sold in the merchant market in F2012 and 9.8bn units in F2013. The different avenue of merchant sales will be as follows:

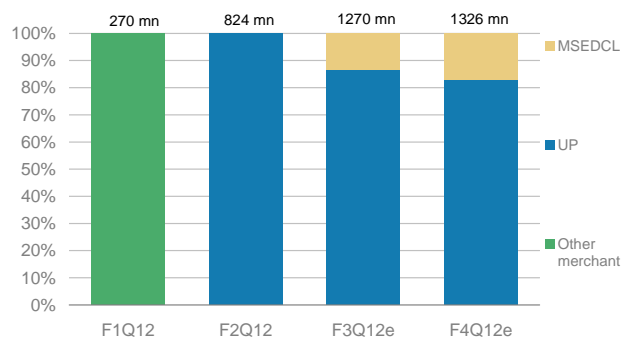
- A one-year contract with Uttar Pradesh SEB for the supply of 600 MW (net) capacity at Rs4.7/unit (including transmission charges of about Rs0.35/unit), which commenced in early July 2011. We believe supply under this contract is progressing well with 1.07bn units supplied in F2Q12 (which translates into about 400 MW of supply).
- The company was expecting to sign a one-year contract with Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL) to supply of 175 MW (net) at Rs4.1/unit in September. While the supply commenced in October, only about 100 MW was supplied during the month. We believe this could gradually increase to about 175 MW.

Our average merchant rate for F2012 remains unchanged at Rs4.2/unit.

Adani Power's earnings will be sensitive to merchant sales, in our view. For example, we estimate that a 10% change in merchant realizations would affect F2012 and F2013 earnings by 13% and 22%, respectively. Similarly, a 10% change in merchant volumes would affect F2012 and F2013 earnings by 4% and 10%, respectively.

Exhibit 6

### Adani Power: Quarterly Mix of Merchant Units



Source: Company data, Morgan Stanley Research; e = Morgan Stanley Research estimates

Exhibit 7

### Earnings Sensitivity to Change in Merchant Assumptions

	F2012e	F2013e
10% lower volumes	-4.3%	-10.3%
10% lower realizations	-13.1%	-22.1%

e = Morgan Stanley Research estimates  
Source: Morgan Stanley Research

## Valuation

We have cut our F2012 EPS estimate by 8% and our F2013 forecast by 11% primarily due to adjustments in commissioning timelines (which reduces merchant volumes) and a weaker rupee against the USD (which increases fuel cost).

We continue to use a FCF model to determine our scenario values as, in our view, FCF is a good measure of the intrinsic value of the company's generation business given that it takes into account long-term free cash flows after factoring in capex phasing, debt build-up/repayment, and working capital requirements. Our price target of Rs60 is probability weighted – 70% for our base case and 30% for our bear case. We have revised our target from Rs70 to Rs60 to account for earnings revisions and an increase in the cost of equity from 15% to 15.5% due to an increase in the risk-free rate.

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Adani Power

Exhibit 8

**Adani Power: FCF Model**

FCFe - Rs mn	F2012e	F2013e	F2014e	F2015e	F2016e	F2017e	F2018e	F2019e	F2020e	F2021e	F2022e	F2023e	F2024e	F2025e	F2026e	F2027e	F2028e
Mundra I and II	-3,239	5,506	6,824	6,263	6,470	6,714	7,006	7,076	4,573	4,661	8,083	8,328	8,461	2,869	2,371	2,236	2,098
Mundra III	1,595	1,001	3,389	3,659	3,330	3,656	4,018	4,155	4,473	3,143	3,399	7,497	7,835	7,800	7,072	1,450	778
Mundra IV	-1,083	-5,638	3,256	5,202	5,443	5,368	5,690	4,336	4,342	4,667	3,299	11,893	11,645	11,443	10,931	8,110	4,744
Tiroda I and II	964	-3,155	-751	504	670	825	1,114	1,060	1,248	1,523	1,127	3,995	6,652	5,712	5,375	5,329	5,285
Tiroda III	-1,067	-2,446	-1,934	1,425	3,729	3,900	4,079	4,247	4,437	4,639	4,852	5,074	4,812	7,350	7,427	7,484	7,543
Kawai	-6,068	-4,158	-3,784	2,154	3,894	4,121	4,356	4,576	4,826	5,092	5,370	5,661	7,037	9,027	9,102	9,146	9,196
<b>Total</b>	<b>-8,898</b>	<b>-8,889</b>	<b>7,000</b>	<b>19,208</b>	<b>23,536</b>	<b>24,584</b>	<b>26,264</b>	<b>25,450</b>	<b>23,899</b>	<b>23,725</b>	<b>26,131</b>	<b>42,446</b>	<b>46,443</b>	<b>44,202</b>	<b>42,277</b>	<b>33,756</b>	<b>29,644</b>
Years		0.0	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	13.0	14.0	15.0
Discounting factor		1.0	0.9	0.8	0.6	0.6	0.5	0.4	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1
Discounted FCFe		-8,889	6,063	14,411	15,295	13,838	12,805	10,748	8,742	7,517	7,172	10,090	9,563	7,883	6,531	4,517	3,436

Sum of forecast horizon (Rs mn) - F2013e-F2028e 129,723

Terminal Value (Rs mn) 26,056

Total Equity Value (Rs mn) 155,778

**Value per share (Power Business) - a 71**

Cash balance (F2012e) - Rs mn 35

Cash per share - F2012e - b 0

**Total value/share (a+b) 71**

E = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

**Risks to Our Target Price**

The key upside risks to our price target include:

- Positive news flow on execution and better operational efficiencies.
- Improvement in domestic coal availability or possibility of obtaining captive coal blocks
- Higher merchant realizations.
- Positive developments on projects in development phase.

The key downside risks to our price target include:

- A significant change in regulations or political intervention in India and Indonesia.
- Delays in execution of power projects or any negative news flow on the existing project portfolio.
- Significant increase in coal prices.
- Slowdown in capex spending or credit freeze.

Exhibit 9

## Indian Utility Valuation Comparison

Company Name	Market Price (Rs/Share)	Adjusted Price (Rs/Share)	Implied Mkt Cap (US\$ mn)	EV/MW - US\$ mn			Mkt Cap/MW - US\$ mn			EV/EBITDA (x)		
				F2011e	F2012e	F2013e	F2011e	F2012e	F2013e	F2011e	F2012e	F2013e
Reliance Power	85	85	4,578	12.2	7.2	4.2	7.6	3.8	1.9	111.7	50.8	16.5
NTPC	157	157	24,775	1.0	0.9	0.8	0.8	0.7	0.6	11.7	11.4	9.9
Lanco Infratech	12	12	549	2.4	1.4	1.6	0.3	0.1	0.1	11.5	8.3	6.8
Tata Power	92	92	4,363	2.8	1.9	1.3	1.5	0.9	0.6	10.7	8.5	7.2
Reliance Infrastructure	396	396	2,022	3.3	3.9	3.0	2.6	2.6	2.6	13.4	10.8	7.0
Adani Power	72	72	2,992	3.8	2.2	1.4	1.5	0.8	0.5	31.9	19.2	9.4
Indiabulls Power	10	10	434	NA	NA	1.8	NA	NA	0.3	NM	NM	36.2
Jindal Steel and Power - @ MS Power Business FV	341	341	6,101	5.4	3.3	2.9	4.8	2.7	2.1	12.3	10.2	8.7
Jindal Steel and Power - implied	488	125	2,232	2.3	1.6	1.5	1.8	1.0	0.8	5.3	5.0	4.7
JSW Energy	40	40	1,262	1.7	1.0	1.1	0.7	0.4	0.4	9.6	9.1	6.7

Company Name	Market Price (Rs/Share)	Adjusted Price (Rs/Share)	Implied Mkt Cap (US\$ mn)	P/B (x)			ROE (%)			P/E (x)		
				F2011e	F2012e	F2013e	F2011e	F2012e	F2013e	F2011e	F2012e	F2013e
Reliance Power	85	85	4,578	1.3	1.3	1.2	4.0%	3.7%	7.9%	33.1	36.2	15.3
NTPC	157	157	24,775	1.9	1.8	1.7	13.5%	13.1%	13.8%	14.1	13.6	12.1
Lanco Infratech	12	12	549	0.5	0.5	0.4	15.0%	19.9%	21.9%	3.5	2.5	1.8
Tata Power	92	92	4,363	1.8	1.6	1.5	12.2%	13.9%	11.2%	14.8	11.5	13.0
Reliance Infrastructure	396	396	2,022	0.4	0.4	0.4	6.0%	4.4%	5.9%	6.8	8.9	6.2
Adani Power	72	72	2,992	2.5	2.2	1.9	8.2%	13.1%	13.9%	30.4	16.5	13.4
Indiabulls Power	10	10	434	0.5	0.6	0.5	0.1%	1.3%	2.7%	414.5	46.1	17.7
Jindal Steel and Power - @ MS Power Business FV	341	341	6,101	4.8	3.4	2.5	28.4%	28.9%	27.0%	17.0	11.9	9.3
Jindal Steel and Power - implied	488	125	2,232	1.8	1.3	0.9	28.4%	28.9%	27.0%	6.2	4.3	3.4
JSW Energy	40	40	1,262	1.2	1.1	1.0	13.8%	7.6%	10.1%	8.4	14.1	9.6

Notes:

Stock Prices are as of 11/25/11

Jindal Steel and Power @ MS FV is Morgan Stanley Research estimates for the company's power business @ Rs 341/share (power business + JSPL's 1350 MW plant)

Jindal Steel and Power implied is adjusted for steel business at Rs 363/share

Reliance Power is based on Bloomberg estimates

Exchange Rate of INR/USD = 52.24

NA = Not Available; NM = Not Meaningful

Source: Factset, Morgan Stanley Research



November 29, 2011  
Adani Power

Exhibit 10

## Global Utility Valuations

Company Name	Country	MS Rating	PT	Stock Price	Currency	Mkt Cap (US\$m)	P/E			EV/EBITDA			Earnings CAGR *
							F11e/C10e	F12e/C11e	F13e/C12e	F11e/C10e	F12e/C11e	F13e/C12e	F2011-14e/C2010-13e
<b>Pure Generation Cos</b>													
Adani Power	India	UW	60.0	71.7	INR	2998	30.4	16.5	13.4	31.9	19.2	9.4	78%
Indiabulls Power Limited	India	UW	9.0	10.3	INR	483	906.7	46.1	17.7	NM	NM	38.3	178%
JSW Energy Limited	India	UW	52.0	40.2	INR	1265	15.0	14.1	9.6	12.8	18.3	6.6	-5%
NTPC	India	OW	196.0	157.0	INR	24825	17.3	13.6	12.1	13.8	11.4	10.0	11%
China Resources Power	China	OW	18.6	14.9	HKD	9232	17.4	12.8	11.0	11.7	9.6	9.0	24%
Huadian Power Int'l	China	EW	1.4	1.5	HKD	1285	51.4	91.8	34.2	15.5	11.1	10.8	54%
Huaneng Power	China	EW	3.6	4.2	HKD	7572	14.6	28.5	28.1	9.1	9.4	9.2	-20%
Yangtze Power	China	OW	10.5	6.5	CNY	16913	15.5	12.9	11.7	10.9	9.7	9.3	6%
Drax	UK	UW	410.0	551.5	GBp	3108	5.4	10.3	12.3	3.0	5.7	6.7	-58%
							<b>119.3 x</b>	<b>27.4 x</b>	<b>16.7 x</b>	<b>13.6 x</b>	<b>11.8 x</b>	<b>12.1 x</b>	<b>30%</b>
<b>Integrated Power Cos</b>													
Tata Power Co	India	UW	80.0	92.2	INR	4372	14.8	11.5	13.0	10.7	8.5	7.2	-3%
CLP Holdings	China	EW	64.2	69.2	HKD	21359	16.6	16.4	14.8	9.7	9.5	9.0	8%
Power Assets Holdings Ltd	China	EW	58.0	59.1	HKD	16180	14.5	13.7	13.4	13.3	12.5	12.1	10%
Korea Electric Power	Korea	EW	30,100.0	24800.0	KRW	13693	NM	37.9	43.3	9.6	9.6	9.0	-331%
Tenaga Nasional Bhd	Malaysia	OW	6.7	5.3	MYR	9072	11.1	8.2	9.2	7.2	5.6	5.2	0%
EDF	France	OW	24.0	18.2	EUR	44444	11.4	8.6	7.5	6.2	5.9	5.6	-3%
ENEL	Italy	OW	3.9	2.9	EUR	35464	8.0	6.1	6.7	5.4	4.9	4.9	-2%
Tokyo Electric Power	Japan	NA	NA	282.0	JPY	5814	NM	NM	3.9	15.1	12.2	8.9	-187%
Scottish & Southern	UK	EW	1,330.0	1254.0	GBp	18073	12.3	11.0	9.8	8.0	8.1	7.5	8%
							<b>12.7 x</b>	<b>14.2 x</b>	<b>13.5 x</b>	<b>9.5 x</b>	<b>8.5 x</b>	<b>7.7 x</b>	<b>-55%</b>
<b>Diversified Cos</b>													
Jindal Steel & Power	India	OW	650.0	487.8	INR	8734	17.3	10.6	8.5	12.4	8.2	7.0	21%
LANCO Infratech Ltd	India	EW	32.0	11.9	INR	550	11.7	2.5	1.8	14.4	8.3	6.8	41%
Reliance Infrastructure Limited	India	EW	450.0	396.0	INR	2026	19.1	11.1	10.1	16.9	10.9	8.1	7%
Cheung Kong Infra.	China	EW	46.1	44.0	HKD	12723	16.4	13.1	12.6	15.3	11.0	10.3	21%
Essar Energy Plc	UK	UW	230.0	214.0	GBp	4309	20.1	8.1	6.3	13.5	8.6	6.8	46%
							<b>16.9 x</b>	<b>9.1 x</b>	<b>7.8 x</b>	<b>14.5 x</b>	<b>9.4 x</b>	<b>7.8 x</b>	<b>27%</b>
<b>Pure Transmission Cos</b>													
Red Electrica	Spain	EW	43.0	30.8	EUR	5505	11.6	8.7	8.3	9.3	7.4	7.0	9%
REN - Redes Energeticas Nacionais	Portugal	EW	2.8	1.9	EUR	1356	12.4	8.0	7.1	8.0	6.9	6.5	9%
National Grid plc	UK	EW	585.0	631.5	GBp	33800	10.2	11.9	12.4	9.2	9.0	9.2	-2%
Terna Rete Elettrica Nazionale S.p.A.	Italy	NC	NC	2.5	EUR	6534	8.0	12.8	13.0	8.6	8.6	8.8	-14%
CTEEP	Brazil	NC	NC	49.8	BRL	4018	9.3	7.9	8.1	5.1	4.1	4.4	8%
ITC Holdings Corp.	USA	NC	NC	71.1	USD	3647	25.0	21.4	17.7	13.6	12.4	11.5	19%
							<b>13.5 x</b>	<b>12.5 x</b>	<b>11.6 x</b>	<b>9.3 x</b>	<b>8.6 x</b>	<b>8.2 x</b>	<b>6%</b>

For valuation methodology and risks associated with any price targets above, please email [morganstanley.research@morganstanley.com](mailto:morganstanley.research@morganstanley.com) with a request for valuation methodology and risks on a particular stock.  
e = Factset, Morgan Stanley Research estimates; Source: Factset, Morgan Stanley Research  
NA = Not Available; NM = Not Meaningful; UW = Underweight, EW = Equalweight, OW = Overweight, NC = Not Covered (Factset consensus)  
Prices are as of Nov 28, 2011 for Asian companies and Nov 25, 2011 for the others  
Note: Data for Indian companies is for Fiscal Year End March 31; \* F2011-F2013 for Lanco Infratech

November 29, 2011

Adani Power

Exhibit 11

## Global Utility Valuations (cont'd)

Company Name	Country	MS Rating	PT	Stock Price	Currency	Mkt Cap (US\$m)	P/B			ROE			Book Value Growth *
							F11e/C10e	F12e/C11e	F13e/C12e	F11e/C10e	F12e/C11e	F13e/C12e	
<b>Pure Generation Cos</b>													
Adani Power	India	UW	60.0	71.7	INR	2998	2.5	2.2	1.9	9%	14%	15%	22%
Indiabulls Power Limited	India	UW	9.0	10.3	INR	483	1.2	0.6	0.5	NA	0%	1%	5%
JSW Energy Limited	India	UW	52.0	40.2	INR	1265	2.1	1.1	1.0	23%	15%	8%	13%
NTPC	India	OW	196.0	157.0	INR	24825	2.3	1.8	1.7	14%	14%	14%	7%
China Resources Power	China	OW	18.6	14.9	HKD	9232	1.6	1.5	1.4	9%	12%	13%	10%
Huadian Power Int'l	China	EW	1.4	1.5	HKD	1285	0.5	0.5	0.5	1%	1%	1%	3%
Huaneng Power	China	EW	3.6	4.2	HKD	7572	0.9	0.9	0.9	7%	3%	3%	0%
Yangtze Power	China	OW	10.5	6.5	CNY	16913	1.9	1.5	1.4	13%	12%	12%	8%
Drax	UK	UW	410.0	551.5	GBP	3108	1.4	1.9	1.8	25%	20%	15%	4%
							1.6 x	1.3 x	1.2 x	13%	10%	9%	8%
<b>Integrated Power Cos</b>													
Tata Power Co	India	UW	80.0	92.2	INR	4372	1.7	1.5	1.4	12%	13%	11%	10%
CLP Holdings	China	EW	64.2	69.2	HKD	21359	1.9	2.0	1.9	12%	12%	13%	6%
Power Assets Holdings Ltd	China	EW	58.0	59.1	HKD	16180	1.9	2.1	1.9	13%	16%	15%	7%
Korea Electric Power	Korea	EW	30,100.0	24800.0	KRW	13693	0.5	0.4	0.4	0%	1%	1%	1%
Tenaga Nasional Bhd	Malaysia	OW	6.7	5.3	MYR	9072	1.4	0.9	0.9	13%	12%	10%	8%
EDF	France	OW	24.0	18.2	EUR	44444	1.7	0.9	0.9	16%	11%	12%	6%
ENEL	Italy	OW	3.9	2.9	EUR	35464	0.9	0.7	0.7	12%	11%	10%	4%
Tokyo Electric Power	Japan	NA	NA	282.0	JPY	5814	0.5	0.6	0.6	-8%	-22%	-14%	-21%
Scottish & Southern	UK	EW	1,330.0	1254.0	GBP	18073	2.2	2.1	2.0	NA	22%	19%	20%
							1.4 x	1.2 x	1.2 x	9%	9%	9%	5%
<b>Diversified Cos</b>													
Jindal Steel & Power	India	OW	650.0	487.8	INR	8734	4.6	2.5	1.9	41%	31%	27%	31%
LANCO Infratech Ltd	India	EW	32.0	11.9	INR	550	1.8	0.5	0.4	22%	18%	20%	25%
Reliance Infrastructure Limited	India	EW	450.0	396.0	INR	2026	1.0	0.6	0.6	5%	6%	5%	2%
Cheung Kong Infra.	China	EW	46.1	44.0	HKD	12723	1.5	1.7	1.5	10%	14%	13%	10%
Essar Energy Plc	UK	UW	230.0	214.0	GBP	4309	1.0	0.9	0.8	7%	5%	11%	9%
							2.0 x	1.2 x	1.0 x	17%	15%	15%	16%
<b>Pure Transmission Cos</b>													
Red Electrica	Spain	EW	43.0	30.8	EUR	5505	2.9	2.3	2.1	28%	29%	28%	10%
REN - Redes Energeticas Nacionais	Portugal	EW	2.8	1.9	EUR	1356	1.3	1.0	0.9	11%	13%	14%	5%
National Grid plc	UK	EW	585.0	631.5	GBP	33800	3.4	2.6	2.6	NA	40%	22%	15%
Terna Rete Elettrica Nazionale S.p.A.	Italy	NC	NC	2.5	EUR	6534	1.9	1.9	1.9	18%	15%	14%	2%
CTEEP	Brazil	NC	NC	49.8	BRL	4018	1.8	1.8	1.7	19%	22%	21%	1%
ITC Holdings Corp.	USA	NC	NC	71.1	USD	3647	3.4	3.0	2.7	13%	14%	15%	12%
							2.4 x	2.1 x	2.0 x	17%	21%	18%	8%

For valuation methodology and risks associated with any price targets above, please email [morganstanley.research@morganstanley.com](mailto:morganstanley.research@morganstanley.com) with a request for valuation methodology and risks on a particular stock.

e = Factset, Morgan Stanley Research estimates; Source: Factset, Morgan Stanley Research

NA = Not Available; NM = Not Meaningful; UW = Underweight, EW = Equalweight, OW = Overweight, NC = Not Covered (Factset consensus)

Prices are as of Nov 28, 2011 for Asian companies and Nov 25, 2011 for the others

Note: Data for Indian companies is for Fiscal Year End March 31; \* F2011-F2013 for Lanco Infratech

### Company Description

Adani Power is a power generation company with an installed capacity of 1,980 MW as of the end of 2010. The company has 7,260 MW under construction and another 7,260 MW in the planning stages. Promoters have a 73.5% equity stake in the company. Adani Enterprises Ltd is the main promoter company.

### India Utilities

Industry View: Cautious



**Morgan Stanley ModelWare is a proprietary analytic framework that helps clients uncover value, adjusting for distortions and ambiguities created by local accounting regulations.** For example, ModelWare EPS adjusts for one-time events, capitalizes operating leases (where their use is significant), and converts inventory from LIFO costing to a FIFO basis. ModelWare also emphasizes the separation of operating performance of a company from its financing for a more complete view of how a company generates earnings.

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For valuation methodology and risks associated with any price targets referenced in this research report, please email [morganstanley.research@morganstanley.com](mailto:morganstanley.research@morganstanley.com) with a request for valuation methodology and risks on a particular stock or contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY 10036 USA.

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The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Parag Gupta.

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### Global Stock Ratings Distribution

(as of October 31, 2011)

For disclosure purposes only (in accordance with NASD and NYSE requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
<b>Overweight/Buy</b>	<b>1126</b>	<b>40%</b>	<b>449</b>	<b>44%</b>	<b>40%</b>
<b>Equal-weight/Hold</b>	<b>1176</b>	<b>42%</b>	<b>431</b>	<b>42%</b>	<b>37%</b>
<b>Not-Rated/Hold</b>	<b>108</b>	<b>4%</b>	<b>23</b>	<b>2%</b>	<b>21%</b>
<b>Underweight/Sell</b>	<b>418</b>	<b>15%</b>	<b>115</b>	<b>11%</b>	<b>28%</b>
<b>Total</b>	<b>2,828</b>		<b>1018</b>		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

### Analyst Stock Ratings

**Overweight (O or Over)** - The stock's total return is expected to exceed the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

**Equal-weight (E or Equal)** - The stock's total return is expected to be in line with the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

**Not-Rated (NR)** - Currently the analyst does not have adequate conviction about the stock's total return relative to the relevant country MSCI Index on a risk-adjusted basis, over the next 12-18 months.

**Underweight (U or Under)** - The stock's total return is expected to be below the total return of the relevant country MSCI Index, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

### Analyst Industry Views

**Attractive (A)**: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

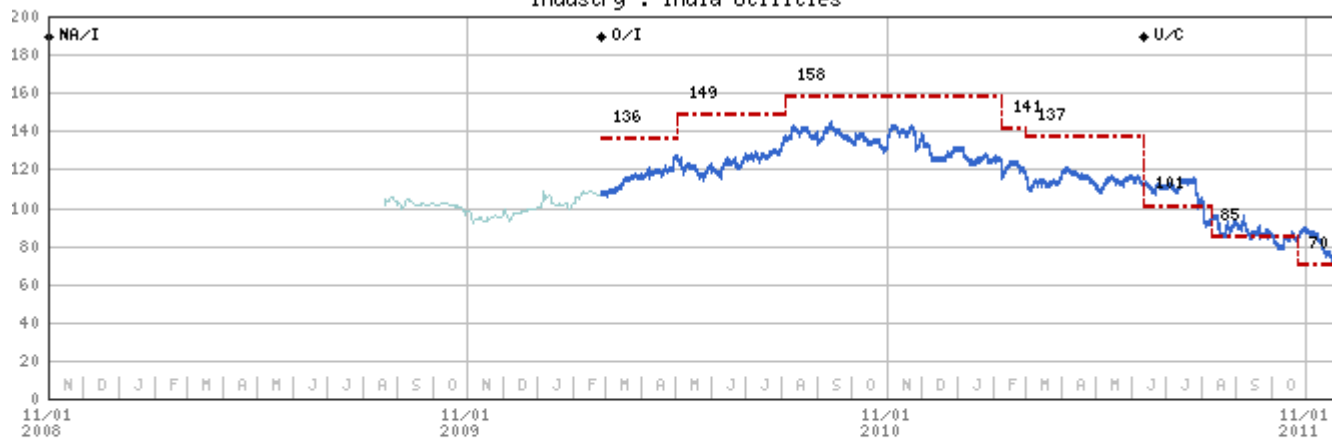
**In-Line (I)**: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

**Cautious (C)**: The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.

### Stock Price, Price Target and Rating History (See Rating Definitions)

Adani Power (ADAN.BO) - As of 11/28/11 in INR  
Industry : India Utilities



Volatility shading indicates "more volatile" (U) flag. As of Nov-14-2008 the U flag has been discontinued.

Stock Rating History: 11/1/08 : NA/I; 2/25/10 : O/I; 6/13/11 : U/C

Price Target History: 2/25/10 : 136; 5/3/10 : 149; 8/5/10 : 158; 2/9/11 : 141; 3/1/11 : 137; 6/13/11 : 101; 8/10/11 : 85; 10/24/11 : 70

Source: Morgan Stanley Research      Date Format : MM/DD/YY      Price Target --      No Price Target Assigned (NA)  
 Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ■  
 Stock and Industry Ratings (abbreviations below) appear as + Stock Rating/Industry View  
 Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) More Volatile (U) No Rating Available (NA)  
 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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November 29, 2011  
Adani Power

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## Industry Coverage: India Utilities

Company (Ticker)	Rating (as of)	Price* (11/28/2011)
<b>Parag Gupta</b>		
Adani Power (ADAN.BO)	U (06/13/2011)	Rs72.85
Indiabulls Power Limited (INDP.BO)	U (06/13/2011)	Rs11.09
JSW Energy Limited (JSWE.BO)	U (08/27/2010)	Rs42.05
LANCO Infratech Ltd (LAIN.BO)	E (06/13/2011)	Rs12.6
NTPC (NTPC.BO)	O (06/13/2011)	Rs159.55
Reliance Infrastructure Limited (RLIN.BO)	E (06/13/2011)	Rs407.6
Tata Power Co (TTPW.BO)	U (08/26/2011)	Rs94.05

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\* Historical prices are not split adjusted.