

**Jaiprakash Power Ventures Limited**

JP Power reported lower than expected result on account of lower availability of water in three units named Baspa-2, Vishnuprayag, and Karcham Wantgtoo in Himachal Pradesh. The company reported 9% YoY growth in sales to Rs.399 Cr lower than street expectation. JP Power has four operational power generation projects of cumulative capacity of 1950 MW of which 1700 MW are hydro. In respect to hydro power generation, water availability in 1 half of financial year is higher as compare to 2 half. As such generation in first half is 70% of annual generation and remaining 30% is generated in 3rd and 4th quarters. Maiden thermal unit in Blna (250 MW) has commenced its operation in August was reported lower PLF percentage. AS the result operational parameters of the company were lower than street expectation.

EBITDA for the quarter stood at Rs.268 cr dropped by 25% YoY due to lower sales growth. Consequently EBITDA margin declined to 67.1% in 3QFY13 as compare to 97% in 3QFY1 2and 90.6% in 2QFY13.

Lower other income, higher interest cost and higher depreciation cost led negative net profit of Rs.98 cr. The company reported other income of Rs.11 cr as against Rs.21 cr in 3QFY12 whereas interest cost up by 21% YoY to Rs.287 cr. The company reported depreciation cost of Rs.96 cr up by 46% YoY and 24% QOQ. Higher depreciation and higher interest cost was due to higher capitalization of Bina thermal power project.

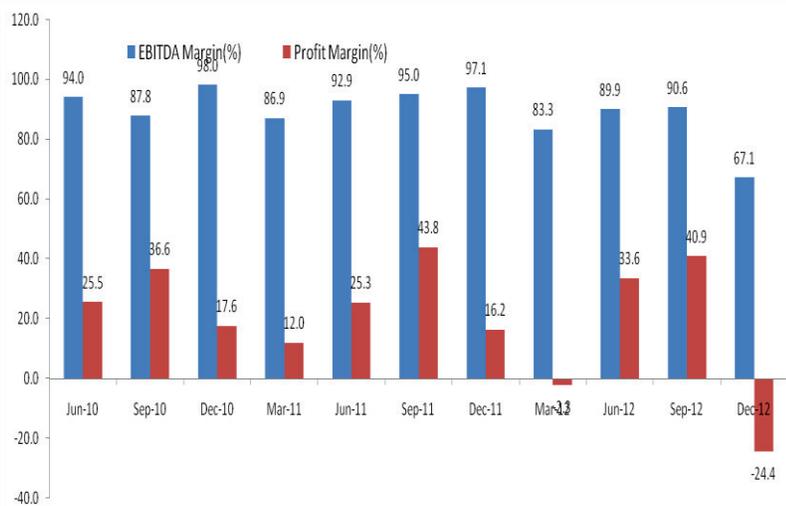
Recently the company has received final stage-II forest clearness for its Amelia (North) mine. Amelia (2.5MTPA) and Dongri Tal-II (2.9MTPA) are two captive mines which will supply coal for Nigrie power plant with installed capacity of 1320 GW which is expected to get commissioned by FY14. Final clearness of Amelia mines is an important milestone for the company in our view. This has given clear roadmap for Nigrie plant which is key overhang on the stock.

At the end of sept2012, the company has cash & cash equivalent of Rs.998 cr and company has announced to raise fund up Rs.3500 cr which would increased the visibility of executing large projects in our view. Currently company is executing 3550 MW of capacity including Bina-II of 250 MW, Nigrie of 1320 MW, Bara Phase 1 unit(1) of 660 MW and Bara Phase 1(Unit 2&3) of 1320 MW.

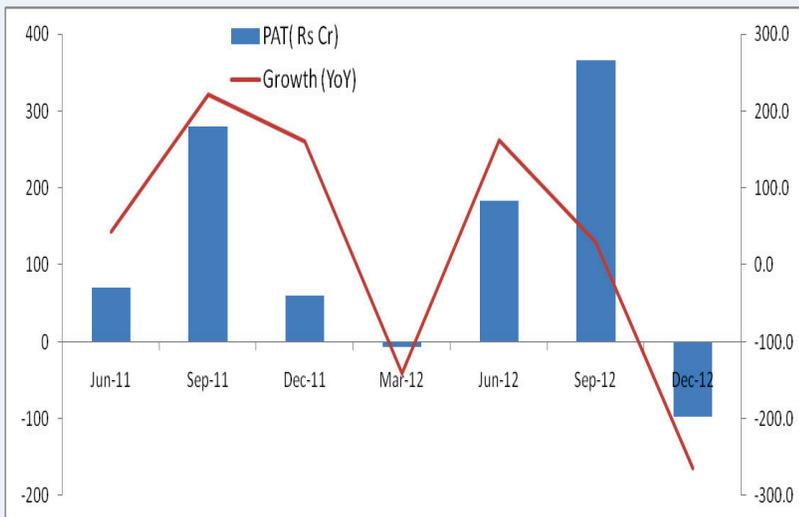
Currently stock is trading at 1.7 times of one year forward book value of Rs. 22.6. We recommend Buy with target price of Rs 47. We believe final clearness of Amelia mines is import milestone for the company which provides visibility of execution of key project Nigrie. Now fund raising of Rs.3500 cr will be another milestone in our view for 3.5GW of under construction projects.



(Source: Company/Eastwind)



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