

JSW ENERGY

JSW Energy has posted total revenue growth of 33% YoY and 14% QoQ to Rs.2365 cr in line with estimate. The company has delivered impressive operational performance in all its three units. Total generation for the quarter grew by 20.3% YoY and 4% QoQ to 4770 MU(Million Units). Average PLF (%) during the quarter was at 91.3% versus 82.3% in 3QFY12. Performance saw improved on the back of improved performance in Vijayanagar and Barmer plant which continue to maintain high PLF (%). Vijayanagar reported PLF of 102% in 3QFY13 versus 100% in 2QFY13 and 85% in n3QFY13 whereas Barmer plant posted 88% PLF in 3QFY13 as against 64% in 2QFY13 and 74% in 3QFY12. Average realization in 3QFY13 was Rs.4.27/kwh versus Rs.3.9/kwh in 3QFY12 and Rs.4.2/kwh in 2QFY13 against expectation of Rs4.7/kwh.

Net generation in 3QFY13 improved sequentially due to improved performance in Vijayanagar which generated 1789 MU (20.5% YoY, 2.2% QoQ) and Barmer which generated 2132 MU (282% YoY, 220% QoQ). Sequential performance in Ratnagiri was down by 61% to 849 MU on account of maintenance shut down.

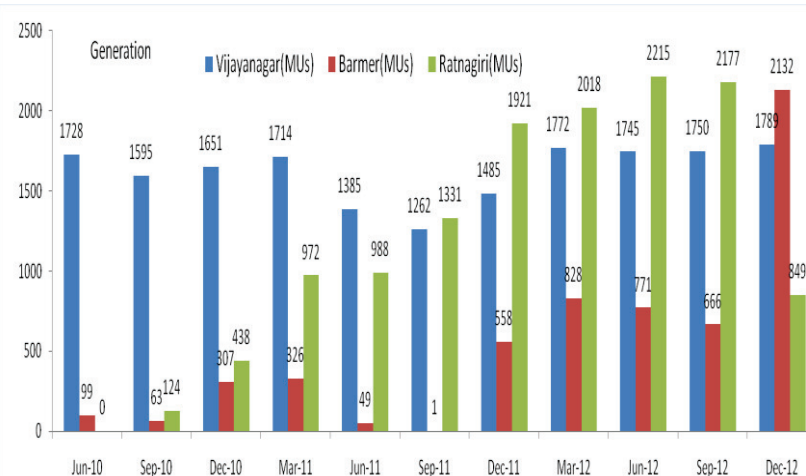
Out of total energy sold, 2616 MU are sold under merchant sales which represent 56% of total generation and 2043 MU are sold under long term PPA which represented 42% of total energy. We note that total energy sold under merchant tariff has declined from 66% in 3QFY12 to 56% in 3QFY13 and long term PPA percentage increased to 44% from 34% in 3QFY12. Increased percentage in long term tariff sold reduced the earnings risk of the company.

Fuel cost during this quarter was declined to 2% YoY and 5% QoQ to Rs.1047 cr. This has translated fuel cost per unit at Rs2.2/kwh as against Rs.2.4/kwh in 2QFY13 and Rs.2.7/kwh in 3QFY12. Declined in fuel cost was due to fall of imported coal prices. However weaker rupees partially offset.

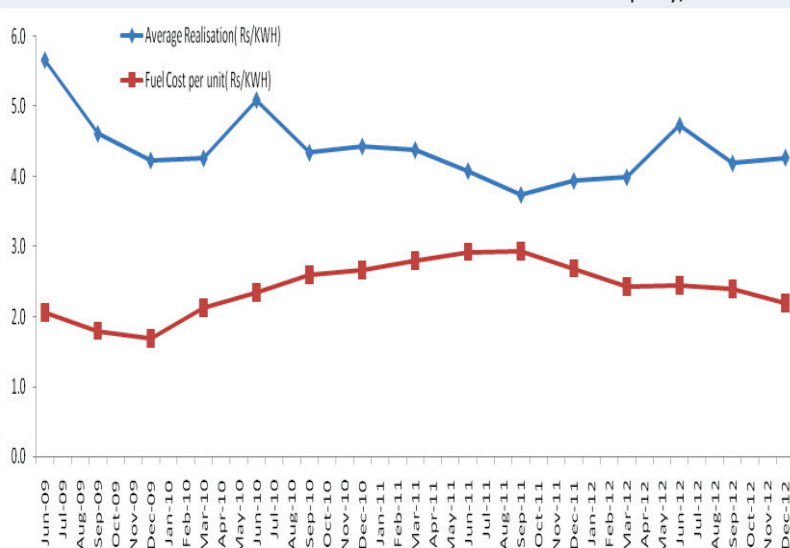
EBITDA increased by 140% YoY and 45% QoQ to Rs.837 cr against expectation of Rs.634. Higher EBITDA was on account of increase in generation, higher average realization and relatively. Consequently margin expanded to 36% versus 20% in 3QFY12 and 28% in 2QFY13. JSW Energy reported other income of Rs.30 cr in 3QFY13 versus Rs.29 cr in 3QFY12 and Rs.45 cr in 2QFY13. Interest cost was up by 18.5% YoY to Rs.236 cr. Total long term borrowing at December 2012 was Rs.10158 cr translating debt equity ratio of 1.6. During this quarter JSW Energy booked foreign exchange loss of Rs.61 cr due to depreciation of rupees versus Rs.93 cr gain in 3QFY12. Net profit of the increased to Rs.311 cr as against loss of Rs.82 cr in 3QFY13 and Rs.254 cr in 2QFY13 versus expectation of Rs.170 cr. Effective tax rate was up to 24.4% during the quarter against 15.3% in 3QFY12 and 22.1% in 2QFY13.

Currently JSW Energy is working with 2600MW of generation capacity and 560MW of capacity is under construction. The company has planned to announce commercialization of unit 4-8 at Rajwest in January 2013 and also it expects to receive clearance for expansion of production for its Kapurdi lignite mines.

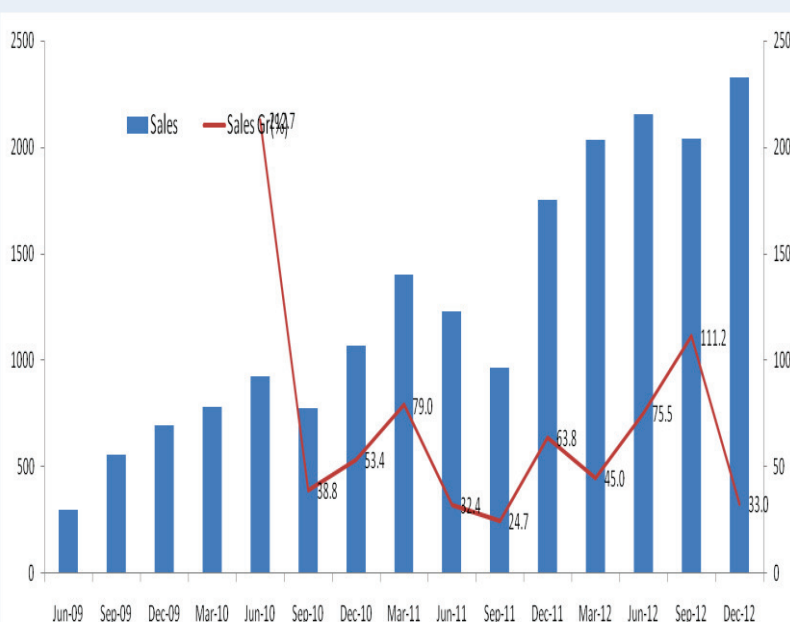
At the current price of Rs. 74, stock is trading at 1.6 times of expected book value for FY14E. On the back improved operational parameters, increasing long term PPA and higher realization we believe stock to trade at 2 times of its book value. We recommend buy with price target of Rs.92.



Source: Company/Eastwind



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