Prabhudas Lilladher

Reliance Power

Sasan restructuring - More technical less material

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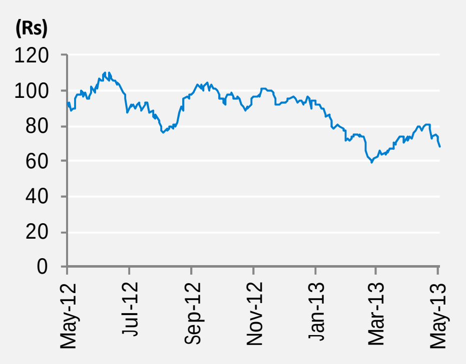
Event Update

Rating	**Accumulate**
Price	Rs69
Target Price	Rs80
Implied Upside	15.9%
Sensex	19,760
Nifty	5,986

(Prices as on May 31, 2013)

Trading data			
Market Cap. (Rs bn)			193.1
Shares o/s (m)			2,805.1
3M Avg. Daily value (Rs m)			888
Major shareholders			
Promoters			75.00%
Foreign			6.27%
Domestic Inst.			5.13%
Public & Other			13.60%
Stock Performance			
(%)	**1M**	**6M**	**12M**
Absolute	(3.5)	(29.2)	(26.4)
Relative	(4.8)	(31.3)	(48.3)
How we differ from Consensus			
EPS (Rs)	**PL**	**Cons.**	***% Diff.***
2014	4.4	5.8	*-23.3*
2015	4.5	9.6	*-52.6*

Price Performance (RIC:RPOL.BO, BB:RPWR IN)



Source: Bloomberg

- **Preface:** Reliance Power's (RPower's) Sasan UMPP loan of Rs145bn has been restructured by the lenders. We believe that it is a technical factor which now takes into the account a realistic *Commercial Operation Date (COD)* referred to as the *Date of Commencement of Commercial Operations (DCCO)*. The original DCCO of Sasan at initial bidding was from May 2013-April 2016. However, it was revised to December 2011-March 2013 as MOP wanted two units to come up in the 11th Plan itself. This condition was accepted by the company on the assurance of required assistance given for securing timely inputs and a revised PPA was signed which necessitated a change in loan documents too. On account of a delay in land acquisition (which allowed RPower to start land acquisition only in January 2011), COD of the 1st unit by December 2011 was not possible. Ultimately, COD of 1st Unit of Sasan took place in March 2013.

- **More of a technical factor:** Since the DCCO of Sasan is now shifted to March 2013 - June 2014, the same will also have to be incorporated in the loan documents. As per RBI, if any change occurs in DCCO, it will lead to a restructuring. Thus, this restructuring is not on account of any payment default but purely for technical adjustment. Also, out of the total Rs145bn domestic loan sanctioned till date for Sasan, Rs25bn has been used from domestic banks, Rs60bn from US and Chinese EXIM banks. The company is currently funding the construction activities from buyer's credit, which in future, will get replaced by non-domestic loans.

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Key financials (Y/e March)	**2012**	**2013**	**2014E**	**2015E**
Revenues (Rs m)	20,192	49,266	63,631	74,641
Growth (%)	*91.4*	*144.0*	*29.2*	*17.3*
EBITDA (Rs m)	6,239	17,129	28,178	34,124
PAT (Rs m)	8,668	10,114	12,392	12,724
EPS (Rs)	3.1	3.6	4.4	4.5
Growth (%)	*14.0*	*16.7*	*22.5*	*2.7*
Net DPS (Rs)	—	—	—	—

Profitability & Valuation	**2012**	**2013**	**2014E**	**2015E**
EBITDA margin (%)	*30.9*	*34.8*	*44.3*	*45.7*
RoE (%)	*5.0*	*5.6*	*6.5*	*6.3*
RoCE (%)	*3.6*	*3.3*	*3.5*	*3.6*
EV / sales (x)	18.0	9.0	8.2	8.1
EV / EBITDA (x)	58.4	25.8	18.5	17.8
PE (x)	22.3	19.1	15.6	15.2
P / BV (x)	1.1	1.0	1.0	0.9
Net dividend yield (%)	—	—	—	—

Source: Company Data; PL Research

- **Impact and Recommendation:** As the domestic loan is on a floating rate, interest rate is raised from 14.5% to 14.7%. The interest outgo will have some impact; however, as the major chunk of the loan is to be financed from international agencies, the final average rate of interest will be lower around 12.5%. The moratorium ends on April 2014. Also, no penalties have been levied for a delay in DCCO. Thus, overall impact will not be huge on the project's financials. We have factored in the change in the interest rate which reduced our target price by 1.25%. Apart from this, the company has already applied for a change in overall tariff for factoring in changes taken place in some regulatory and forex aspects during the construction phase. We maintain **'Accumulate'** on the stock.

Exhibit 1: Revision in CODs

Each unit=660MWs	Original COD	Revised COD	New (Est) COD
Unit 1	May 13	Dec 11	Mar 13
Unit 2	Nov 13	Mar 12	Jul 13
Unit 3	Jul 14	Jun 12	Sep 13
Unit 4	Jan 15	Sep 12	Dec 13
Unit 5	Aug 15	Dec 12	Feb 14
Unit 6	Apr 16	Mar 13	Jun 14

Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	2012	2013	2014E	2015E
Net Revenue	**20,192**	**49,266**	**63,631**	**74,641**
Raw Material Expenses	—	—	—	—
Gross Profit	20,192	49,266	63,631	74,641
Employee Cost	—	—	—	—
Other Expenses	13,953	32,137	35,453	40,517
EBITDA	**6,239**	**17,129**	**28,178**	**34,124**
Depr. & Amortization	1,215	2,851	6,509	13,162
Net Interest	2,976	5,853	8,646	13,762
Other Income	7,476	3,571	3,500	10,976
Profit before Tax	**9,524**	**11,996**	**16,522**	**18,176**
Total Tax	856	1,882	4,131	5,453
Profit after Tax	**8,668**	**10,114**	**12,392**	**12,724**
Ex-Od items / Min. Int.	—	—	—	—
Adj. PAT	**8,668**	**10,114**	**12,392**	**12,724**
Avg. Shares O/S (m)	**2,805.1**	**2,805.1**	**2,805.1**	**2,805.1**
EPS (Rs.)	**3.1**	**3.6**	**4.4**	**4.5**

Cash Flow Abstract (Rs m)

Y/e March	2012	2013	2014E	2015E
C/F from Operations	29,597	28,949	8,574	(4,205)
C/F from Investing	(26,449)	(145,440)	(96,523)	(95,678)
C/F from Financing	(5,706)	150,786	83,117	89,818
Inc. / Dec. in Cash	(2,557)	34,295	(4,832)	(10,065)
Opening Cash	16,615	14,058	48,353	43,521
Closing Cash	14,058	48,353	43,521	33,456
FCFF	(4,096)	(91,813)	(109,689)	(134,615)
FCFE	119,781	19,673	(33,939)	(58,865)

Key Financial Metrics

Y/e March	2012	2013	2014E	2015E
Growth				
Revenue (%)	91.4	144.0	29.2	17.3
EBITDA (%)	144.9	174.6	64.5	21.1
PAT (%)	14.0	16.7	22.5	2.7
EPS (%)	14.0	16.7	22.5	2.7
Profitability				
EBITDA Margin (%)	30.9	34.8	44.3	45.7
PAT Margin (%)	42.9	20.5	19.5	17.0
RoCE (%)	3.6	3.3	3.5	3.6
RoE (%)	5.0	5.6	6.5	6.3
Balance Sheet				
Net Debt : Equity	1.0	1.3	1.7	2.0
Net Wrkng Cap. (days)	—	—	—	—
Valuation				
PER (x)	22.3	19.1	15.6	15.2
P / B (x)	1.1	1.0	1.0	0.9
EV / EBITDA (x)	58.4	25.8	18.5	17.8
EV / Sales (x)	18.0	9.0	8.2	8.1
Earnings Quality				
Eff. Tax Rate	9.0	15.7	25.0	30.0
Other Inc / PBT	78.5	29.8	21.2	60.4
Eff. Depr. Rate (%)	1.9	1.6	2.3	3.4
FCFE / PAT	1,381.9	194.5	(273.9)	(462.6)

Source: Company Data, PL Research.

Balance Sheet Abstract (Rs m)

Y/e March	2012	2013	2014E	2015E
Shareholder's Funds	175,696	185,810	196,963	208,414
Total Debt	185,183	296,669	372,419	448,169
Other Liabilities	—	—	—	—
Total Liabilities	**360,880**	**482,479**	**569,382**	**656,583**
Net Fixed Assets	285,355	380,730	445,231	487,739
Goodwill	—	—	—	—
Investments	14,155	12,452	12,451	12,451
Net Current Assets	61,370	89,298	111,700	156,393
Cash & Equivalents	*14,058*	*48,353*	*43,521*	*33,456*
Other Current Assets	*79,008*	*77,718*	*112,307*	*190,349*
Current Liabilities	*31,696*	*36,774*	*44,128*	*67,412*
Other Assets	—	—	—	—
Total Assets	**360,880**	**482,480**	**569,382**	**656,583**

Quarterly Financials (Rs m)

Y/e March	Q1FY13	Q2FY13	Q3FY13	Q4FY13
Net Revenue	**11,358**	**10,792**	**14,638**	**12,478**
EBITDA	**3,649**	**3,930**	**4,926**	**4,626**
% of revenue	*32.1*	*36.4*	*33.7*	*37.1*
Depr. & Amortization	688	719	703	744
Net Interest	1,289	1,374	1,493	1,699
Other Income	1,159	1,022	1,219	171
Profit before Tax	**2,832**	**2,859**	**3,950**	**2,354**
Total Tax	437	457	1,294	(306)
Profit after Tax	**2,395**	**2,402**	**2,657**	**2,660**
Adj. PAT	**2,395**	**2,402**	**2,657**	**2,660**

Key Operating Metrics

Y/e March	2012	2013	2014E	2015E
Units Sold (m)	4,231	7,952	28,126	38,110
Realisation / Unit (Rs Kw/hr)	4.8	6.2	2.3	2.0
Capacity Addition (mws)	300	300	5,360	2,320
Operating Capacity (mws)	900	1,200	6,560	8,880
Capex (Rs bn)	29,005	111,146	101,355	105,743

Source: Company Data, PL Research.

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POWERING YOUR FINANCIAL GROWTH

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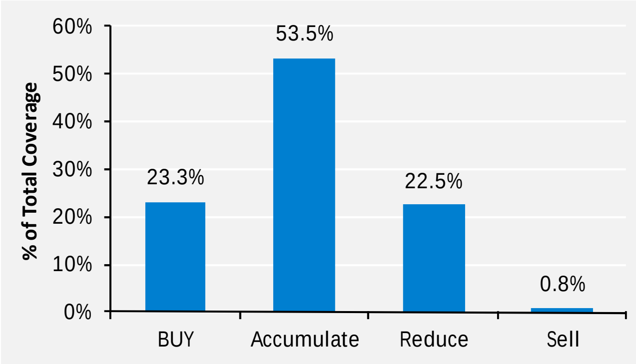
Rating Distribution of Research Coverage



PL's Recommendation Nomenclature

BUY	:	Over 15% Outperformance to Sensex over 12-months	**Accumulate**	:	Outperformance to Sensex over 12-months
Reduce	:	Underperformance to Sensex over 12-months	**Sell**	:	Over 15% underperformance to Sensex over 12-months
Trading Buy	:	Over 10% absolute upside in 1-month	**Trading Sell**	:	Over 10% absolute decline in 1-month
Not Rated (NR)	:	No specific call on the stock	**Under Review (UR)**	:	Rating likely to change shortly

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