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Issue Highlights

Issue Opens - 29th April 2010
Issue Closes – 03rd May 2010
Face value – Rs 10
Price Band – Rs 23-26
Bid Size – 250 and in multiple thereof

Issue Size

Offer – 415 mn equity shares
Employee Reservation – 3.35 mn shares
Net Issue to Public – 411.65 shares
QIB Portion - 60% of Net Issue
HNI Portion – 10% of Net Issue
Retail Portion – 30% of Net Issue

Discount

5% discount on Issue Price for Retail Investors

Equity

Pre-Issue– Rs. 41366 mn
Post-Issue – Rs. 41366 mn

GOI Holding

Pre Issue – 100%
Post Issue – 90.0%

CARE Grading

4 – Above average fundamentals

Book Running Lead Managers

IDFC Capital
JM Financial
IDBI Capital Market
SBI Capital Market

Registrar

Link Intime India Private Ltd.

Listing

NSE, BSE

Investment Rationale

Capacity expansion plans

With the increasing demand for energy in India, the company is well positioned to capture the opportunity. The company has plans to add approximately 3,588 MW to its aggregate generation capacity through the development of its existing pipeline of projects.

Business Diversification

The company intends to diversify its business operations into various alternative energy projects, such as wind power and solar energy projects. In addition to this, the company also intends to pursue geographical diversification through tendering for hydroelectric power projects outside of India, and to leverage its technical expertise and know-how in the hydroelectric power sector into establishing a technical consultancy and advisory business focusing thereon.

Experience in hydroelectric power project development

The company has experience in the development, execution and management of mega-hydroelectric projects through its development and operation of the 1,500 MW NJHPS (The Nathpa Jhakri Hydro Power Station), which is the largest hydroelectric power generation facility in India based on generation capacity.

Established track record of operational excellence

Since the commissioning of the NJHPS, the company consistently met or exceeded set performance targets for its operations, and has been upgraded to a Schedule A public sector undertaking and designated as a Mini-Ratna Category-I public sector undertaking. With the established performance track record and experience in executing, operating and managing the NJHPS will give the company competitive advantage in developing large hydroelectric power projects, both in India and abroad.

Ability to capitalize on performance-based incentives under the current tariff regime

Since the full commissioning of the NJHPS in May 2004, the company consistently achieved a monthly plant availability factor of more than 82%, which is the normative annual plant availability factor which has been set by the CERC for the NJHPS under the new tariff regulations which are effective from April 1, 2009 to March 31, 2014. The company is expected to maintain its performance going forward, and will thus be eligible to recover the full amount of capacity charges as well as qualify for certain performance-based incentives under the new tariff regime based on excess generation and normative annual plant availability factor.

Sound corporate governance practice

The company's commitment to its social and environmental responsibilities has been key in establishing its reputation and credibility as a highly rated power generation company, which the company will be able to leverage in tendering for new projects going forward, and will also prove to be advantageous in minimizing opposition from public interest groups, non-governmental organizations and local communities in its future project areas under development, thus facilitating its timely completion of such projects.

Strong cash position

The company has a strong historical financial performance and steady cash flows to support project development and operations

Guaranteed return on capital under prevailing tariff regime

Pursuant to past and prevailing Government policies, electricity tariffs which may be charged by a power producer with respect to power supplied by it from a particular project are determined based on a formula which incorporates a guaranteed return on equity. Under Government policies and prevailing regulations, up to 30% of aggregate project costs in relation to a project is eligible for the guaranteed rate of return on equity. With the Indian energy sector continues to develop, the company is well positioned to benefit from Government policy incentives.

Valuations

On the higher side of the price band, Rs 26, the share of the company is available at a PE multiple of 10.3x of annualized EPS of 9MFY09 ended 31st Dec. 2009 of Rs 2.5. The average PE for power generation industry is around 20. Owing to good future prospects and under valuation of the stock, we recommend subscribe for the issue.

About the company

Issuer is a hydroelectric power generation company originally established as a joint venture between the Government and the state government of Himachal Pradesh to develop and operate the NJHPS. The NJHPS is currently the largest operational hydroelectric power generation facility in India based on installed capacity, with an aggregate generation capacity of 1,500 MW. It is located on the Sutlej River in the state of Himachal Pradesh.

The company is currently constructing the Rampur Project, a 412 MW hydroelectric power generation facility located downstream from the NJHPS. The Project is expected to be completed and commissioned in 2013.

The company has also been awarded with the rights to develop and operate two hydroelectric projects with an expected aggregate generation capacity of 825 MW by the state government of Himachal Pradesh.

For Further details/clarifications please contact:

RR Information & Investment Research Pvt. Ltd.
47, MM Road Jhandewalan New Delhi-110055 (INDIA).
Tel: 011-23636362/63

research@rrfcl.com

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