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Reliance Power Ltd.

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Reliance Power Ltd. (RPOWER) is India's leading private sector power generation company. The company has the largest portfolio of power projects in the private sector based on coal, gas, hydro and renewable energy, with an operating portfolio of 2,545 MW. The company also has the largest captive coal reserves in the private sector, estimated at more than two billion tonnes. Besides, the company has purchased three coal mines in Indonesia and also has plans to develop coal bed methane based generation capacity.

### Investor's Rationale

**Posted marginal decline in topline by 1.1% YoY on muted performance across segment** – RPOWER, registered a minimal decline in topline by 1.1% at ₹11,228.5 mn on consolidated basis as the power generation revenue fell 1.1% at ₹11,225.4 mn. The drop in domestic and international coal prices might have led to the fall in the total income. As per the cost pass-through model, the decline in the coal price ultimately affects the topline, followed by fall in other business segment by 38.0% at ₹3.1 mn.

**EBITDA margin expanded 786bps YoY on lower fuel cost**– The EBITDA of the company grew 40.0% YoY at ₹4,487.9 mn, margins also expanded in line with the EBITDA mainly on account of fall in domestic and international coal prices reducing cost of fuel by 12.8% at ₹6,323.7mn. Employee cost also fell 31.2% at ₹119.0 mn. Thus, OPM expanded 786bps YoY at 40.0% against 32.1%.

**Flat bottom-line growth of 0.2% YoY on muted topline** - RPOWER, registered a flat growth in bottom-line of 0.2% at ₹2,400.6 mn primarily on account of flat topline mainly due to reduction in coal prices which resulted in a decline in revenue as merchant power remained more or less unchanged. Further, higher depreciation and interest charges by 30.5% and 21.8% at ₹895.6 mn and ₹1569.7 mn, respectively dented the bottom line. However, NPM expanded by 76.7bps at 19.9% against 19.1%.

**Focused towards capacity expansion** – The company however remained balanced in maintaining its performance at Rosa Power Plant in Uttar Pradesh with its 1,200 MW capacity operating at 100% availability and 72% plant load factor. Besides, RPower is also constructing a 100 MW solar power project at Dhursar, which will be commissioned within this year. The project has received approval for carbon credits. The company is also planning to develop coal bed methane based generation capacity.

### Market Data

Rating	BUY
CMP (₹)	69
Target Price	80
Stop Loss	63
Duration	Short-term
52-week High-Low (₹)	106.7/58.55
Rise from 52WL (%)	17.8
Correction from 52WH (%)	35.3
Beta	1.1
1 year Average Volume (mn)	7.1
	3M-
	5.5
Stock Return (%)	6M-
	(1.2)
	1Y-
	(31.6)
Market Cap (₹bn)	193.55
Book Value (₹)	59.98

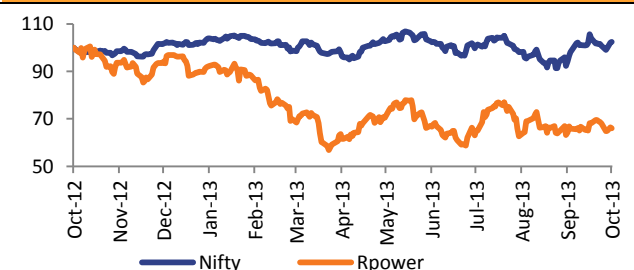
### Shareholding Pattern

	Jun'13	Mar'13	Chg
Promoters (%)	53.05	53.05	0.00
FII (%)	23.12	19.08	4.04
DII (%)	2.82	2.81	0.01
Public & Others (%)	24.01	25.06	(1.05)

### Quarterly Performance (Consolidated)

(₹mn)	Q1 FY'14	Q1 FY'13	Q4 FY'13	YoY Change (%)	QoQ Change (%)
Sales	11,228.5	11,357.5	12,477.9	(1.1)	(10.0)
Op. exp	6,740.6	7,710.2	7,852.2	(12.6)	(14.2)
EBITDA	4,487.9	3,647.3	4,625.7	23.0	(3.0)
OPM (%)	40.0	32.1	37.1	786bps	290bps
Net profit	2,400.6	2,395.0	2,660.6	0.2	(9.8)
NPM (%)	19.9	19.1	21.0	77bps	(113bps)
EPS (₹)	0.9	0.9	1.0	1.2	(9.5)

### One Year Price Chart





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