EVENT UPDATE

JSW ENERGY

Kamalanga acquisition: Value accretive from day one

India Equity Research| Power

JSW Energy (JSWE), putting its robust balance sheet and cash flows to good use, acquired 100% stake in GMR Kamalanga (GKEL) 1,050MW for INR53bn EV (broadly in-line with our estimate). In our view: 1) it sets JSWE on track to double capacity to 9GW by FY24E; 2) JSWE's operational (lower O&M cost) and financial prowess (250bps interest cost savings) can easily lift existing EBITDA by 15% and PAT can turnaround in year one itself; 3) GKEL is a strategic fit—85% PPAs/FSAs in place and lower fuel cost of INR1.5/kwh will ensure higher PLFs/profitability, thus ensuring high teens returns; 4) the deal does not change D/E much—less than 1x; and 5) the acquisition is value accretive by INR5/7 per share in base/best case scenarios. We envisage re-rating potential with the missing link—inorganic growth—now in place (*link*). Maintain 'BUY' with TP of INR92.

GKEL a quality asset; operational & financial synergies at play

GKEL has ~85% tied-up capacity under long-term PPAs with Odisha, Haryana and Bihar with balance life of ~19 years. With lower total cost of INR3.1-3.2/kwh (average fixed/fuel cost of INR1.6/1.5kwh), GKEL benefits in the merit order dispatch. With a pit head project and tied-up coal, JSWE expects base case EBITDA of INR9bn accruing from lower O&M cost, higher PLF and higher dark spreads from merchant capacity. We observe that: a) debt restructuring (lower Kd by 250bps) results in INR1bn interest cost saving; and b) INR10bn accumulated loss provides tax shield for around three years.

Acquisition value accretive on all counts

The deal at an EV of INR53bn assumes takeover of INR40bn debt, INR7.5bn equity payment upfront and INR6bn to be paid over the next 12-24 months. Notwithstanding the possible change in the capital structure for acquisition, the deal in our view: a) **will add 30%/20%/200bps to JSWE's EBITDA/PAT/RoE for FY21E; and b) is NPV accretive by INR8bn or INR5/share in a base case of INR9bn EBITDA**. Further, GKEL's merchant capacity is likely to make higher contribution (coal cost: INR1.6-1.9/kwh) to EBITDA.

Outlook and valuation: Value in offing; maintain 'BUY'

JSWE has embarked on new growth opportunities with a balance between growth aspirations and prudent risk management. **On the acquisition, we estimate a payback period of five years and 200bps accretion to JSWE's RoE**. While we have already factored in value accretion in our SOTP, we are yet to factor it in our financials pending deal completion. JSWE is one of the top picks in our coverage. We maintain '**BUY/SO'**.

Financials **(INR mn)**

Year to March	FY19	FY20E	FY21E	FY22E
Net Revenue	91,376	85,908	93,350	95,697
EBITDA	28,531	29,181	31,375	31,751
Adjusted Profit	6,951	8,100	9,743	10,333
Adjusted diluted EPS (INR)	4.2	4.9	5.9	6.3
Price/BV (x)	0.9	0.8	0.8	0.8
ROAE (%)	6.0	6.7	7.7	7.8

EDELWEISS 4D RATINGS

Absolute Rating	**BUY**
Rating Relative to Sector	Outperform
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Underweight

MARKET DATA *(R: JSWE.BO, B: JSW IN)*

CMP	: INR 63
Target Price	: INR 92
52-week range (INR)	: 80 / 58
Share in issue (mn)	: 1,642.4
M cap (INR bn/USD mn)	: 104 / 1,445
Avg. Daily Vol.BSE/NSE('000)	: 923.7

SHARE HOLDING PATTERN (%)

	Current	Q2FY20	Q1FY20
Promoters *	74.9	74.9	74.9
MF's, FI's & BK's	8.8	9.0	8.4
FII's	7.2	6.6	6.9
Others	9.1	9.5	9.8

** Promoters pledged shares (% of share in issue) : 37.18*

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Power Index
1 month	(10.6)	(2.0)	(6.8)
3 months	(1.6)	2.0	(3.7)
12 months	(20.4)	12.7	6.0

Swarnim Maheshwari
+91 22 4040 7418
swarnim.maheshwari@edelweissfin.com

Ashutosh Mehta
+91 22 6141 2748
ashutosh.mehta@edelweissfin.com

February 17, 2020

Table 1: Proforma financial statements from FY19-25E

Proforma Financial statements	FY19	FY20E	FY21E	FY22E	FY23E	FY24E	FY25E
Profit and Loss							
Total revenues	**91,376**	**85,908**	**114,859**	**117,871**	**120,289**	**120,966**	**121,328**
EBITDA	28,531	28,681	39,847	40,802	39,750	39,041	38,541
Depreciation and Amortisation	11,637	11,741	14,002	14,267	14,532	14,797	15,062
Less: Interest Expense	11,924	10,858	13,941	13,157	11,602	9,920	8,423
Add: Other income	3,680	3,230	4,349	4,735	5,467	5,409	7,586
Profit Before Tax	**8,650**	**9,313**	**16,253**	**18,112**	**19,083**	**19,733**	**22,642**
Less: Provision for Tax	2,124	2,701	4,226	4,709	4,962	5,723	6,566
Less: Minority Interest	(106)	62	62	62	62	62	62
Add: Share of profit from associates	319	40	40	40	40	40	40
Reported Profit	**6,951**	**6,590**	**12,005**	**13,381**	**14,099**	**13,988**	**16,053**
No. of Shares outstanding (mn)	1,641	1,641	1,641	1,641	1,641	1,641	1,641
Adjusted Basic EPS	4.2	4.0	7.3	8.2	8.6	8.5	9.8
Balance sheet							
Networth	118,222	120,874	129,596	139,695	150,513	161,219	173,990
Borrowings	105,549	101,266	145,920	131,064	113,182	95,662	81,673
Gross Block	200,981	205,981	264,191	269,191	274,191	279,191	284,191
Net block	162,900	156,159	200,367	191,100	181,567	171,770	161,708
Net Current Assets (ex cash)	20,188	23,046	31,186	33,619	36,381	39,617	43,202
Capex	2,335	5,000	58,210	5,000	5,000	5,000	5,000
Cashflow							
Operating cash flow	24,644	24,147	28,781	35,109	33,553	35,805	34,956
Free cash flow	22,310	19,147	(29,429)	30,109	28,553	30,805	29,956
Key ratios							
Net debt / Equity	0.85	0.74	1.02	0.81	0.63	0.44	0.26
Net debt / EBITDA	3.51	3.13	3.31	2.78	2.37	1.83	1.18
Return on Average Equity (ROE) (%)	**6.0**	**5.6**	**9.6**	**10.0**	**9.8**	**9.0**	**9.6**
Pre-tax Return on Capital Employed (ROCE) (%)	**9.1**	**9.1**	**12.1**	**11.4**	**11.5**	**11.4**	**12.1**

Source: Company, Edelweiss research

Table 2: Value accretion of INR 5 in base case – INR 7 in best case

Particulars	Base case	Best case
Existing debt (A)	39,510	45,660
Upfront equity	7,550	7,550
Contingent consideration payable at different milestones	6,150	0
Total equity value (B)	13,700	7,550
Enterprise Value (A+B)	**53,210**	**53,210**
FY21E EBITDA	8,905	9,871
FY21E Interest cost	3,941	4,529
FY21E PAT	2,463	2,766
NPV @ 12.5% cost of equity	8,861	10,766
No of shares	1,641	1,641
Value per share	**5.4**	**6.6**

Note: In both the scenarios we have assumed a falling EBITDA due to 2% decline in fixed charges every year

Source: Company, Edelweiss research

Source	FSA MTPA	Landed cost (INR/kwh)
MCL	2.14	1.5
SHAKTI I	1.5	1.6
SHAKTI II	0.4	1.9

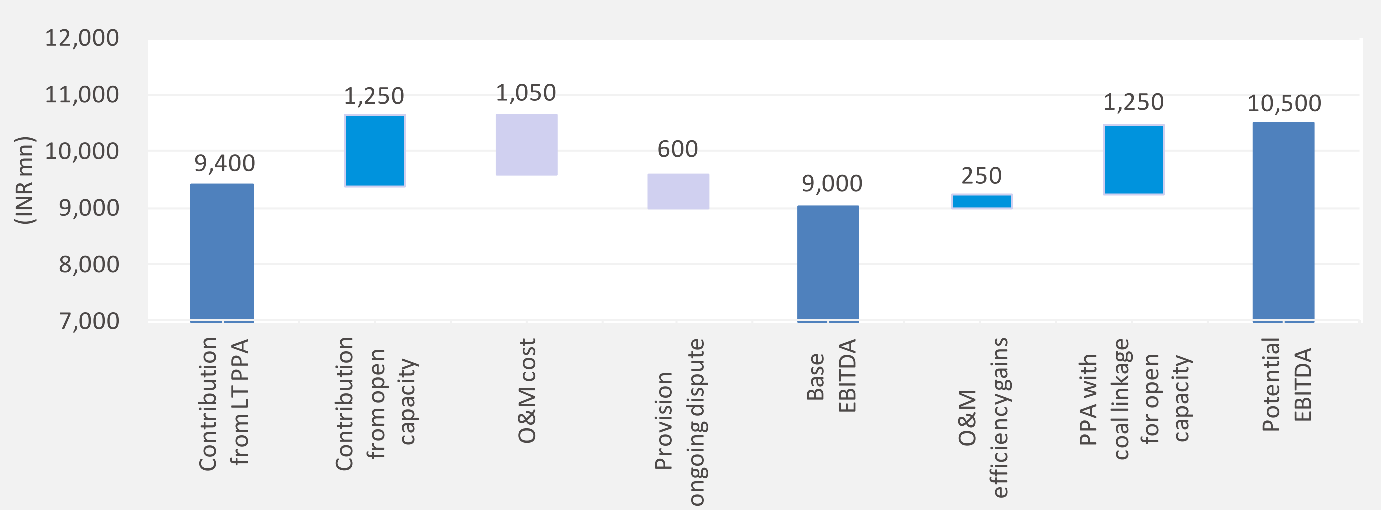
Table 3: ~84% tied up capacity for ~19 years

PPA	Type	Counter party	Capacity (MW)	Fixed charge	Variable Charge	Total charge
Kamalanga						
1	Regualted tariff	Odisha	263.0	1.7	1.5	3.1
2	Case 1 bid	Haryana	334.0	1.4	1.5	2.9
3	Case 1 bid	Bihar	283.0	1.9	1.5	3.4
	Total capacity		**880.0**			
	Merchant *		170.0			
	Total capacity		**1,050.0**			

** Note: In L1 basket for 150 MW PPA for 3 years under Pilot Scheme II at PPA of INR 3.26/kwh*

Source: Company, Edelweiss research

Chart 1: Base case EBITDA of INR 9bn with addition of INR 1.25bn from 150 MW PPA under Pilot scheme II



Source: Company, Edelweiss research

Table 4: SOTP valuation

Unit	Capacity / Length (MW)	Method	Value (INR mn)	INR/ share
Generation				
Vijay Nagar	860	NPV @ Ke 13.0%	23,039	13.6
Barmer	1,080	NPV @ Ke 12.5%	23,767	14.5
Ratnagiri	1,200	NPV @ Ke 12.5%	7,836	5.0
Hydro assets	1,391	NPV @ Ke 12.5%	26,051	15.9
Kamalanga	1,050	NPV @ Ke 12.5%	8,861	5.4
Ind Barath Utkal	700	NPV @ Ke 13.0%	16,390	10.0
Generation- total	**6,281**		**105,944**	**64**
JPTL	169 Km	NPV @ Ke 13.0%	1,322	0.8
Power Trading		10x FY19 PAT	1,720	1.0
O&M Services		10x FY19 PAT	10,570	6.4
Loans to JSPL & JPVL		50% of the O/S	6,000	3.7
Cash + Investments		FY19BV	26,541	16.2
Total			**152,097**	**92**

Source: Edelweiss research

Key takeaways from the concall

GMR Kamalanga asset details -

- 150 MW open capacity which require new FSA – 800-850k per year. 400k tones has been secured under recent Shakti auctions.
- Costs – Lower costs will ensure bottom quartile of purchase basket.
    - Average fixed cost – INR 1.61 per unit.
    - Average variable cost – INR 1.5-1.6 per unit.
    - Total cost – INR 3.1-3.2.
- Sox and Nox will be over and above INR 53bn.
- INR 0.11-0.13 per unit will be for coal pass through which is over and above the variable charge.

Rationale behind buy -

- Asset fits JSW's stated strategy with 85% tied up capacity (diversified).
- It is a pit head plant with dedicated railway line, which ensures low variable cost. This helps in merit order dispatch and reduces receivable risk.
- Established geographical footprint in eastern region.
- Management expects base EBITDA of INR9bn with upside potential of INR10.5bn. It expects the base EBITDA and O&M gains to be achievable within six months, while INR1.25bn due to PPA with coal linkage could take some time to materialise.
- INR6.15bn will be kept as hold back account and will be paid on achievement of certain milestones. This primarily pertains to dispute with one project contractor. Additionally, there are a few contingent receivables and payables.
- Recent APTEL orders have announced orders in favour of GMR Kamalanga and to that extent the EV is expected to fall.

Financials

- Enterprise value for acquisition - INR53bn including outstanding debt of INR39.5bn.
- Working capital debt – INR1.75-2.0bn. This will be part of the working capital adjustment at the time of closure of deal.
- Historical performance EBITDA – FY19 - INR7.4bn and 9mFY20 - INR5.6bn. Currently due to scarcity of working capital is resulting in sub-optimal utilisation of tied up capacity as well.
- Funding from internal accruals and debt.
- Debt – Management is comfortable with repayment schedule of the debt but management will look at repricing the same.
- Management expects INR1.5-2.0bn negative working capital (liability higher than asset).
- Management expects the transaction to be consummated by March 31, 2020.

Other comments

- Provision for ongoing dispute pertains to environment management fund and electricity duty.
- Provision for ongoing disputes: Central government can impose cess /duty, but Odisha government has imposed INR0.06 per unit for electricity sold outside the state. Hence, management remains confident of reversal of the same. There is a stay granted and hence only provision is made (no amount deposited with the government). INR0.4-0.55bn per year in the past and management expects this to be higher at INR0.6bn every year.
- Liability for buyer (JSW Energy) is upto INR3.15bn, if the amount is higher then seller pays.
- Over the next three years, large part of the capacity will increase in MPL region.
- Currently, there are no delays in payment by Odisha. In India, given the LC methodology current payments are on time. Past dues of INR920bn are outstanding and payments are getting delayed mainly for renewable power.

Company Description

JSW Energy was incorporated in 1994 as the energy vertical of the JSW Group. The company has been in the power generation business since 2000 and later ventured into the trading business as well. It has 3,140 MW of operational generating thermal capacity and has ventured into hydro power by acquiring 1,391MW of capacity from Jai Prakash Power in FY16. The company plans to increase its installed capacity to 10,000 MW. Post the flip flop of foraying into Electric Vehicle manufacturing with CAPEX of INR65bn, the company announced not to go ahead with its plans. JSWE plans to double its existing capacity over the next 3-5 years JSWE is close to acquisition of some stressed assets apart from Greenfield/Brownfield CAPEX in Hydro, renewable and thermal

Investment Theme

JSWE is essentially a play on one time inorganic growth opportunities at attractive valuations of stressed assets in the thermal space. It is sitting prettiest in the entire power sector value chain with predictable OCF of INR20bn plus & 0.8x D/E to pursue inorganic /organic growth

We draw confidence from JSW Group's & JSWE's 'turnaround specialist' and putting money to good use. We envisage a faster-than-expected turnaround in assets under acquisition (GKEL and IBU) led by the company's expertise along with financial muscle.

JSWE is working towards de-risking the power business model, with untied capacities getting signed at cost-plus PPAs with group companies. It will further that help to reduce the vulnerability in earnings due to merchant rates, coal price movements etc.

Key Risks

Weak Power demand: The Power demand off late has been weak due to slump in the economic activity. While JSWE's most of the capacities are on PAF basis, however PLF's of the new acquisition and other untied capacities could be lower than our assumptions which can impact JSWE's EPS.

Conclusion of deal: In our view, the inorganic growth was the missing link for the stock to re-rate. JSWE is close to acquire 1.7GW thermal capacities and we have built in our valuation framework. Failure to conclude the deal can de-rate the stock.

Merchant prices are moderating downwards due to declining SEB's demand or buying capacity could impact realizations.

Volatility in international coal prices impacts JSW Energy's earnings and a rise in international coal prices is a risk.

High promoter pledge

Financial Statements

Key Assumptions

Year to March	FY19	FY20E	FY21E	FY22E
Macro				
GDP(Y-o-Y %)	6.8	5.0	5.8	6.5
Inflation (Avg)	3.4	4.0	4.0	5.0
Repo rate (exit rate)	6.3	4.5	4.3	5.0
USD/INR (Avg)	70.0	71.0	71.0	70.0
Company				
Year end capacity (MW)	4,531	4,531	4,531	4,531
Net Gen./Sold (mn kwh)	22,088	24,717	25,781	26,518
Avg.Realisation(INR/kwh)	4.1	3.4	3.6	3.6

Income statement **(INR mn)**

Year to March	FY19	FY20E	FY21E	FY22E
Net revenue	91,376	85,908	93,350	95,697
Cost of Operations	54,347	48,244	52,874	54,257
Other operating expenses	6,062	5,999	6,567	7,104
Employee costs	2,436	2,485	2,534	2,585
Total operating expenses	62,845	56,727	61,975	63,946
EBITDA	28,531	29,181	31,375	31,751
Depreciation	11,637	11,638	11,604	11,879
EBIT	16,894	17,543	19,771	19,872
Less: Interest Expense	11,924	10,548	10,111	9,674
Add: Other income	3,680	3,356	3,797	4,162
Profit Before Tax	8,650	10,966	13,457	14,360
Less: Provision for Tax	2,124	517	3,903	4,164
Less: Minority Interest	(106)	(5)	62	62
Add: Exceptional items	-	615	-	-
Associate profit share	319	300	250	200
Reported Profit	6,951	10,755	9,743	10,333
Exceptional Items	-	2,655	-	-
Adjusted Profit	6,951	8,100	9,743	10,333
Shares o /s (mn)	1,641	1,641	1,641	1,641
Adjusted Basic EPS	4.2	4.9	5.9	6.3
Diluted shares o/s (mn)	1,641	1,641	1,641	1,641
Adjusted Diluted EPS	4.2	4.9	5.9	6.3
Adjusted Cash EPS	11.3	12.0	13.0	13.5
Dividend per share (DPS)	1.0	2.0	2.0	2.0
Dividend Payout Ratio(%)	28.3	36.6	40.4	38.1

Common size metrics

Year to March	FY19	FY20E	FY21E	FY22E
Operating expenses	68.8	66.0	66.4	66.8
Depreciation	12.7	13.5	12.4	12.4
Interest Expense	13.0	12.3	10.8	10.1
EBITDA margins	31.2	34.0	33.6	33.2
Net Profit margins	7.5	9.4	10.5	10.9

Growth ratios (%)

Year to March	FY19	FY20E	FY21E	FY22E
Revenues	13.5	(6.0)	8.7	2.5
EBITDA	3.3	2.3	7.5	1.2
PBT	123.2	26.8	22.7	6.7
Adjusted Profit	40.2	16.5	20.3	6.1
EPS	40.1	16.5	20.3	6.1

Balance sheet (INR mn)

As on 31st March	FY19	FY20E	FY21E	FY22E
Share capital	16,409	16,409	16,409	16,409
Reserves & Surplus	101,814	108,015	113,820	120,214
Shareholders' funds	118,222	124,424	130,228	136,623
Minority Interest	(120)	(125)	(63)	(1)
Long term borrowings	92,404	88,121	83,839	79,556
Short term borrowings	13,145	13,145	13,145	13,145
Total Borrowings	105,549	101,266	96,984	92,701
Long Term Liabilities	763	763	763	763
Def. Tax Liability (net)	4,561	3,049	4,462	5,969
Sources of funds	**228,974**	**229,376**	**232,373**	**236,056**
Gross Block	200,981	205,981	210,981	215,981
Net Block	162,900	156,262	149,658	142,779
Capital work in progress	4,000	1,200	1,200	1,200
Intangible Assets	15,346	15,346	15,346	15,346
Total Fixed Assets	182,245	172,807	166,204	159,325
Non current investments	21,083	21,083	21,083	21,083
Cash and Equivalents	5,458	12,440	22,079	29,949
Inventories	4,547	5,736	6,404	6,571
Sundry Debtors	14,278	14,122	15,345	18,353
Loans & Advances	8,990	8,990	8,990	8,990
Other Current Assets	22,660	22,660	22,660	22,660
Current Assets (ex cash)	50,475	51,508	53,399	56,574
Trade payable	18,395	16,571	18,499	18,984
Other Current Liab	11,891	11,891	11,891	11,891
Total Current Liab	30,286	28,462	30,391	30,875
Net Curr Assets-ex cash	20,188	23,046	23,008	25,699
Uses of funds	**228,974**	**229,376**	**232,373**	**236,056**
BVPS (INR)	72.0	75.8	79.4	83.3

Free cash flow (INR mn)

Year to March	FY19	FY20E	FY21E	FY22E
Reported Profit	6,951	10,755	9,743	10,333
Add: Depreciation	11,637	11,638	11,604	11,879
Interest (Net of Tax)	8,996	10,051	7,179	6,868
Others	326	(5,291)	360	13
Less: Changes in WC	(3,266)	(2,858)	38	(2,691)
Operating cash flow	24,644	24,295	28,923	26,403
Less: Capex	2,335	5,000	5,000	5,000
Free Cash Flow	**22,310**	**19,295**	**23,923**	**21,403**

Cash flow metrics

Year to March	FY19	FY20E	FY21E	FY22E
Operating cash flow	24,644	24,295	28,923	26,403
Financing cash flow	(24,948)	(18,469)	(18,082)	(17,695)
Investing cash flow	(545)	1,156	(1,203)	(838)
Net cash Flow	(848)	6,982	9,638	7,870
Capex	(2,335)	(5,000)	(5,000)	(5,000)
Dividend paid	(43)	(3,938)	(3,938)	(3,938)

Profitability and efficiency ratios

Year to March	FY19	FY20E	FY21E	FY22E
ROAE (%)	6.0	6.7	7.7	7.8
ROACE (%)	9.1	9.3	10.4	10.5
Inventory Days	33	39	42	44
Debtors Days	52	60	58	64
Payable Days	140	132	121	126
Cash Conversion Cycle	(55)	(33)	(22)	(18)
Current Ratio	1.8	2.2	2.5	2.8
Gross Debt/EBITDA	3.7	3.5	3.1	2.9
Gross Debt/Equity	0.9	0.8	0.7	0.7
Adjusted Debt/Equity	0.9	0.8	0.7	0.7
Interest Coverage Ratio	1.4	1.7	2.0	2.1

Operating ratios

Year to March	FY19	FY20E	FY21E	FY22E
Total Asset Turnover	0.4	0.4	0.4	0.4
Fixed Asset Turnover	0.5	0.5	0.6	0.6
Equity Turnover	0.8	0.7	0.7	0.7

Valuation parameters

Year to March	FY19	FY20E	FY21E	FY22E
Adj. Diluted EPS (INR)	4.2	4.9	5.9	6.3
Y-o-Y growth (%)	*40.1*	*16.5*	*20.3*	*6.1*
Adjusted Cash EPS (INR)	11.3	12.0	13.0	13.5
Diluted P/E (x)	14.9	12.8	10.6	10.0
P/B (x)	0.9	0.8	0.8	0.8
EV / Sales (x)	2.2	2.2	1.9	1.7
EV / EBITDA (x)	7.1	6.6	5.7	5.2
Dividend Yield (%)	1.6	3.2	3.2	3.2

Peer comparison valuation

	Market cap	Diluted P/E (X)		P/B (X)		ROAE (%)	
Name	(USD mn)	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
JSW Energy	1,445	12.8	10.6	0.8	0.8	6.7	7.7
CESC	1,324	7.4	7.3	1.0	0.9	13.5	12.8
NTPC	15,608	8.9	7.8	1.0	0.9	11.1	12.1
Tata Power Co	2,037	10.1	8.4	0.7	0.7	7.7	8.6
Median	-	9.5	8.1	0.9	0.8	9.4	10.3
AVERAGE	-	9.8	8.5	0.9	0.8	9.8	10.3

Source: Edelweiss research

Additional Data

Directors Data

Mr. Sajjan Jindal	Chairman & Managing Director, Executive	Mr. Nirmal Kumar Jain	Non Executive
Mr. Chandan Bhattacharya	Independent	Mr. Prashant Jain	Jt. Managing Director and CEO
Mr. J.K. Agarwal	Director-Finance	Ms. Rupa Devi Singh	Independent
Mr. Sunil Goyal	Independent	Mr. Rakesh Nath	Independent
Mr. S. S. Rao	Independent Director	Mr. Sharad Mahendra	Whole Time Director

Auditors - Deloitte Haskins & Sells LLP

**as per last annual report*

Holding – Top10

	Perc. Holding		Perc. Holding
Jsw investments pvt	20.24	Indusglobe multivent	15.59
Jsl ltd	8.85	Glebe trading privat	8.85
Danta enterprises pv	5.21	Virtuous tradecorp p	5.21
Life insurance corp	4.9	Jsw steel ltd	3.76
Sbi funds management	1.7	Reliance capital tru	1.57

**in last one year*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
No Data Available			

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Adani Power	REDUCE	SU	H	CESC	BUY	None	None
India Grid Trust	BUY	SP	M	JSW Energy	BUY	SO	M
NTPC	BUY	SO	L	Power Grid Corp of India	BUY	SO	L
PTC India	BUY	None	None	Tata Power Co	BUY	SP	M

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

Edelweiss Securities Limited, Edelweiss House, off C.S.T. Road, Kalina, Mumbai – 400 098.
Board: (91-22) 4009 4400**,** Email*: research@edelweissfin.com*

Aditya Narain
Head of Research
aditya.narain@edelweissfin.com

ADITYA NARAIN

Digitally signed by ADITYA NARAIN
DN: c=IN, o=EDELWEISS SECURITIES LIMITED, ou=SERVICE,
2.5.4.20=3dc92af943d52d778c99d69c48a8e0c89e548e5001b4f8141cf423fd58c07b02, postalCode=400011,
st=MAHARASHTRA,
serialNumber=e0576796072ad1a3266c27990f20bf0213f69235fc3f1bcd0fa1c30092792c20, cn=ADITYA NARAIN
Date: 2020.02.17 22:14:19 +05'30'

Coverage group(s) of stocks by primary analyst(s): Power

Adani Power, Adani Transmission, CESC, India Grid Trust, JSW Energy, NTPC, PTC India, Power Grid Corp of India, Tata Power Co

Recent Research

Date	Company	Title	Price (INR)	Recos
12-Feb-20	**CESC**	Steady quarter; subsidiaries' performance encouraging; *Result Update*	718	Buy
08-Feb-20	**Adani Power**	Singed by demand woes; PPAs' visibility critical; *Result Update*	61	Reduce
07-Feb-20	**NTPC**	Improving prospects; divestment overhang receding; *Result Update*	116	Buy

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

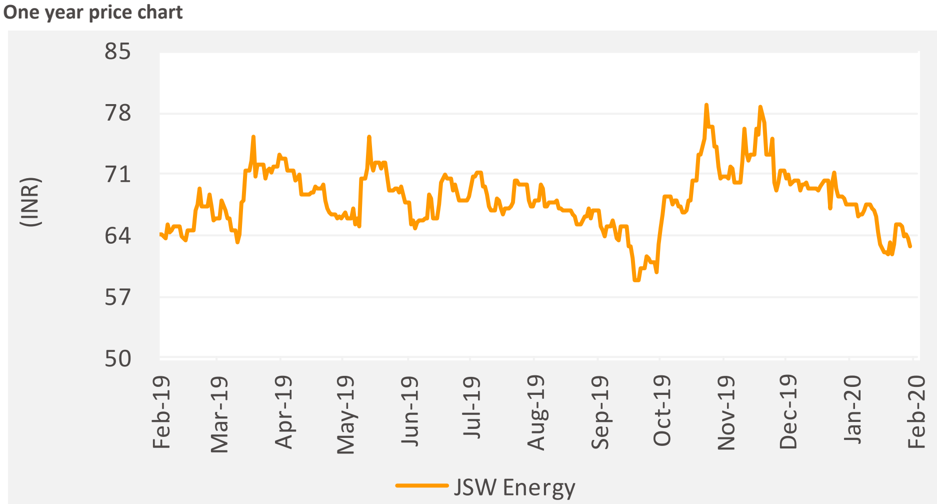
	Buy	Hold	Reduce	Total
Rating Distribution* * 1stocks under review	161	67	11	240

	> 50bn	Between 10bn and 50 bn	< 10bn
Market Cap (INR)	156	62	11

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



DISCLAIMER

Edelweiss Securities Limited ("ESL" or "Research Entity") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. The business of ESL and its Associates (list available on www.edelweissfin.com) are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance.

This Report has been prepared by Edelweiss Securities Limited in the capacity of a Research Analyst having SEBI Registration No.INH200000121 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 includes Financial Instruments and Currency Derivatives. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in Securities referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ESL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. ESL reserves the right to make modifications and alterations to this statement as may be required from time to time. ESL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. ESL is committed to providing independent and transparent recommendation to its clients. Neither ESL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance .The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The information provided in these reports remains, unless otherwise stated, the copyright of ESL. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of ESL and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

ESL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of the ESL to present the data. In no event shall ESL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the ESL through this report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

ESL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the Securities, mentioned herein or (b) be engaged in any other transaction involving such Securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance. ESL may have proprietary long/short position in the above mentioned scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider risk appetite or investment objective of any particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with ESL.

ESL or its associates may have received compensation from the subject company in the past 12 months. ESL or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. ESL or its associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research analyst or his/her relative or ESL's associates may have financial interest in the subject company. ESL and/or its Group Companies, their Directors, affiliates and/or employees may have interests/ positions, financial or otherwise in the Securities/Currencies and other investment products mentioned in this report. ESL, its associates, research analyst and his/her relative may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (i) exchange rates can be volatile and are subject to large fluctuations; (ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government imposed exchange controls which could affect the value of the currency. Investors in securities such as ADRs and Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Research analyst has served as an officer, director or employee of subject Company: No

ESL has financial interest in the subject companies: No

ESL's Associates may have actual / beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report.

Research analyst or his/her relative has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

ESL has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

Subject company may have been client during twelve months preceding the date of distribution of the research report.

There were no instances of non-compliance by ESL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years except that ESL had submitted an offer of settlement with Securities and Exchange commission, USA (SEC) and the same has been accepted by SEC without admitting or denying the findings in relation to their charges of non registration as a broker dealer.

A graph of daily closing prices of the securities is also available at www.nseindia.com

Analyst Certification:

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Additional Disclaimers

Disclaimer for U.S. Persons

This research report is a product of Edelweiss Securities Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Edelweiss Securities Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Edelweiss Securities Limited has entered into an agreement with a U.S. registered broker-dealer, Edelweiss Financial Services Inc. ("EFSI"). Transactions in securities discussed in this research report should be effected through Edelweiss Financial Services Inc.

Disclaimer for U.K. Persons

The contents of this research report have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("FSMA").

In the United Kingdom, this research report is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the “Order”); (b) persons falling within Article 49(2)(a) to (d) of the Order (including high net worth companies and unincorporated associations); and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as “relevant persons”).

This research report must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this research report relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this research report or any of its contents. This research report must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

Disclaimer for Canadian Persons

This research report is a product of Edelweiss Securities Limited ("ESL"), which is the employer of the research analysts who have prepared the research report. The research analysts preparing the research report are resident outside the Canada and are not associated persons of any Canadian registered adviser and/or dealer and, therefore, the analysts are not subject to supervision by a Canadian registered adviser and/or dealer, and are not required to satisfy the regulatory licensing requirements of the Ontario Securities Commission, other Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and are not required to otherwise comply with Canadian rules or regulations regarding, among other things, the research analysts' business or relationship with a subject company or trading of securities by a research analyst.

This report is intended for distribution by ESL only to "Permitted Clients" (as defined in National Instrument 31-103 ("NI 31-103")) who are resident in the Province of Ontario, Canada (an "Ontario Permitted Client"). If the recipient of this report is not an Ontario Permitted Client, as specified above, then the recipient should not act upon this report and should return the report to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any Canadian person.

ESL is relying on an exemption from the adviser and/or dealer registration requirements under NI 31-103 available to certain international advisers and/or dealers. Please be advised that (i) ESL is not registered in the Province of Ontario to trade in securities nor is it registered in the Province of Ontario to provide advice with respect to securities; (ii) ESL's head office or principal place of business is located in India; (iii) all or substantially all of ESL's assets may be situated outside of Canada; (iv) there may be difficulty enforcing legal rights against ESL because of the above; and (v) the name and address of the ESL's agent for service of process in the Province of Ontario is: Bamac Services Inc., 181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3 Canada.

Disclaimer for Singapore Persons

In Singapore, this report is being distributed by Edelweiss Investment Advisors Private Limited ("EIAPL") (Co. Reg. No. 201016306H) which is a holder of a capital markets services license and an exempt financial adviser in Singapore and (ii) solely to persons who qualify as "institutional investors" or "accredited investors" as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Pursuant to regulations 33, 34, 35 and 36 of the Financial Advisers Regulations ("FAR"), sections 25, 27 and 36 of the Financial Advisers Act, Chapter 110 of Singapore shall not apply to EIAPL when providing any financial advisory services to an accredited investor (as defined in regulation 36 of the FAR. Persons in Singapore should contact EIAPL in respect of any matter arising from, or in connection with this publication/communication. This report is not suitable for private investors.