

Alternative Energy

BUY

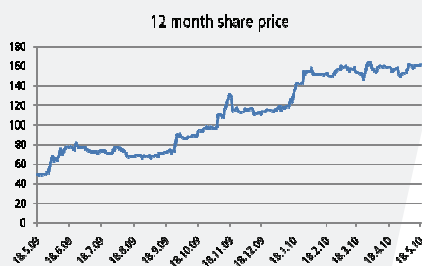
19th May 2010, Initiating Coverage

Run River Run

GKO	BUY
Price (p)	158
No. shares out (m)	119
Market cap. (£m)	189
Price target (p)	195
Upside	23%

Source: Bloomberg/ Mirabaud Securities estimates

Throughout this document we are using flat exchange rates of £1.00:€1.15 and €1.00:INR61.00.



Source: Bloomberg

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Source: Hot Climate

Greenko is an AIM-listed, Indian Independent Power Provider (IPP). It develops, owns and operates clean energy assets with a main focus on small run-of-the-river hydro projects.

A plumb growth play on the Indian energy gap

Greenko is a play on one of the most buoyant sectors of the Indian economy – the need to increase both generating and “green” generating capacity. By 2017 government targets require that installed capacity more than doubles from 159GW to 342GW. 20% of this is to come from sustainable sources, suggesting that existing renewable capacity will have to quadruple to 64GW by 2017.

At present Greenko has an installed capacity of 159MW and a licensed and financed pipeline of projects which should increase its capacity to 545MW by March 2014. As this comes on stream, Greenko’s revenues should rise from year-end March 2010 to 2013, from €20.8m to €91.6m. Over the same period EBITDA should rise from €6.1m to €50.5m and net profits should increase from €3.4m to €18.7m.

And a value play

Domestically-listed Indian IPPs are trading on 2011 Weighted Average (WAV) P/E and EV/EBITDA multiples of 24.7x and 13.3x. Their AIM-listed counterparts are trading on 2011 WAV P/E and EV/EBITDA multiples of 31.2x and 13.2x respectively. Taking a mean of these multiples, and adjusting for a minority investment, results in a price target of 195p/share – an upside of 23%. However, this price target is based on the current installed capacity of 159MW and the upside will significantly increase as more capacity comes on stream. This is supported by a DCF valuation.

Yet communications could improve

Greenko’s story is compelling and in growing its business, communication with the investment community has at times suffered. Building a broader management team will address this issue and, whilst the appointment of a London-based NED is welcomed, in our view the key addition would be a CFO.

Table I: Headline Earnings & Valuations 2009 to 2012e (Year-end March)

(€m)	Sales	EBITDA	Net Profit	EPS (c)	P/E	EV/EBITDA
March 2009a	13.9	6.1	2.7	3.9	nmf	nmf
March 2010e	20.9	6.1	3.4	2.3	nmf	nmf
March 2011e	68.7	27.4	14.4	9.6	15.1x	11.3x
March 2012e	76.4	31.1	14.9	10.0	14.6x	13.3x

Source: Greenko/ Mirabaud Securities estimates

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Part I – Investment Summary

Government targets a doubling of installed capacity to 342GW by 2017.

Greenko is a play on three buoyant markets – India, its energy and particularly its “green” energy gap. India is forecast to have long term GDP growth of 7.5%.¹ This should exacerbate the existing shortage of generating capacity, which is running at a peak deficit of approximately 12%. To address this problem, with the current 12th Five Year Plan, the government aims to have a total installed capacity of 342GW by 2017, over double the current installed capacity of 159GW.²

This target is all the more expedient as, per the National Electricity Policy (“Power for All”), the entire country is to be grid connected. This is an ambitious policy as grid connections in India are amongst the lowest in the world, with an average consumption of 717kWh/per capita. This is woefully behind Chinese average consumption of 2,346kWh/per capita.³

To complicate matters further, government has increased the Renewable Purchase Obligations (RPO) from 10% by 2012, to 20% by 2020. Renewable capacity at the end of March 2010 stood at 16GW.⁴ On a linear basis this would suggest that by the end of the 12th Five Year Plan, “green” capacity would have to more than quadruple to 64GW.

To encourage the participation of the private sector, the government de-regulated the power sector with the Electricity Act of 2003. Most importantly this allowed for an increase in the electricity tariff and gave the generators the choice of either selling to the local State Electricity Board, under 20 year Power Purchase Agreements (PPAs)⁵, or to negotiate tailor-made PPAs in the private “merchant” market. This merchant market is booming and is gaining further depth and support from the country’s two new energy trading exchanges.

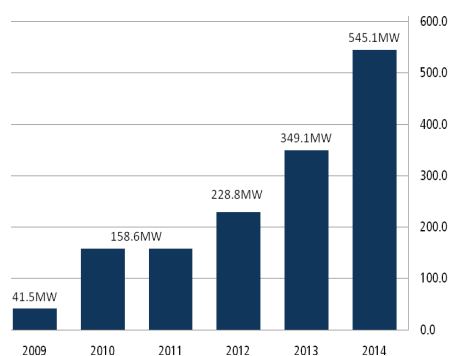
With the de-regulation of the energy market, the government has established a regime of very favourable electricity tariffs.

To ensure long-term visibility of earnings, Greenko aims to sell approximately 60% of its electricity to the state, with tariffs ranging from INR2.80/kWh (€4.6c/kWh) to INR4.60/kWh (€7.5c/kWh). The upper end of the range compares favourably with current UK wholesale and German base power prices of 4.0p/kWh (€4.6c/kWh) and €5.2c/kWh respectively. In the merchant market, prices have reached as high as INR14.90/kWh (€24c/kWh). Nevertheless, Greenko anticipates getting medium term (five year) contracts with a tariff of INR5.40/kWh (€8.9c/kWh), tailing-off in 2015 to INR4.50/kWh (€7.4c/kWh).

Based on the existing licensed and fully financed pipeline of projects, Greenko’s capacity should increase from the present 159MW to 545MW by March 2014.

Greenko’s stellar earnings growth will come as it adds capacity. By the end of March 2010 it had a total installed capacity of 159MW, of which 37MW has been added through the recent acquisition of the LVS project. As LVS and the other projects are developed, the installed capacity should increase to 229MW by the end of March 2012, to 349MW by the end of March 2013 and to 545MW by the end of March 2014. These projects are not only licensed, but are also fully financed and are in varying stages of development. In addition, by 2015 management aims to have a total capacity of 1GW. A portfolio of 1GW of clean energy, and mostly small hydro assets, will be particularly attractive to a utility or another IPP.

Table II: Increase in Installed Capacity 2009 to 2014e



Source: Greenko

¹ OECD.

² To March 2010, Central Electricity Authority (CEA www.cea.nic.in).

³ Central Electricity Authority (CEA), 17th Power Survey/ International Energy Agency (IEA www.iea.org).

⁴ CEA.

⁵ The exception to the rule is the State of Maharashtra in which PPAs are for 13 years.

Over the period 2010 to 2013, Greenko's revenues, EBITDA and net profits should grow at a CAGR of 64%, 103% and 76% respectively.

If there is an Indian IPO, we would hope that the quoted entity in Mumbai and London would be the same.

The table below shows Greenko's profit & loss account. The earnings to March 2010 mostly come from the 42MW of biomass capacity and the Company's forecasts are based on the assumptions that the new, mostly hydro, plants will contribute to the earnings model on the last day of the financial year. The exception to this rule is with regard to LVS plant, the earnings from which were consolidated for March 2010. Based on the development of the projects, over the period March 2010 to March 2013, Greenko's revenues should grow at a CAGR of 64% from €20.9m to €91.6m.

As corporate overheads are increasingly covered, Greenko's EBITDA margin should improve from 29% at year-end March 2010, to 55% in 2013, with EBITDA rising from €6.1m in March 2010 to €50.5m in March 2013. Net profits, before minorities, should rise from €3.4m in March 2010, to €18.7m in 2013. This minority has been deducted to reflect the interests of the Global Environmental Fund (GEF). In the last fund raising in March 2010, GEF bought a 20% stake in the Mauritian subsidiary through which Greenko's operating assets are held.

GEF invested through the Mauritian subsidiary in case there is an Indian IPO of the Company. In such a case, we would hope that the quoted entity in Mumbai and London would be the same.

Table III: Profit & Loss Account 2008 to 2013

GKO P & L (€ m)	Mar-08a	Mar-09a	Mar-10e	Mar-11e	Mar-12e	Mar-13e
Power Generation Revenue	10.65	12.65	19.00	64.67	71.84	87.45
CER Sales Revenue	2.47	1.23	1.89	4.01	4.54	4.17
Total Revenue	13.12	13.87	20.89	68.68	76.38	91.62
Other income	0.22	2.24	0.00	2.03	2.20	2.42
Generating costs	(6.21)	(6.89)	(11.45)	(38.05)	(40.89)	(35.83) ⁶
Personnel cost	(0.68)	(1.96)	(0.64)	(0.89)	(1.18)	(1.74)
Administrative expense	(1.12)	(1.20)	(0.37)	(0.64)	(0.79)	(1.09)
Corporate cost	0.00	0.00	(2.36)	(4.60)	(4.60)	(4.90)
Total expense	(7.80)	(8.25)	(14.82)	(44.19)	(47.47)	(35.83)
EBITDA	5.32	6.06	6.08	27.40	31.11	50.48
<i>EBITDA margin</i>	<i>41%</i>	<i>44%</i>	<i>29%</i>	<i>40%</i>	<i>41%</i>	<i>55%</i>
Depreciation	(1.12)	(1.52)	(2.17)	(6.38)	(8.42)	(13.06)
EBIT	4.20	4.54	3.90	21.02	22.70	37.42
Net finance charges	(1.38)	(1.38)	0.23	(3.64)	(4.38)	(13.54)
PBT	2.82	3.17	4.13	17.38	18.32	23.88
Provision for taxation	(0.32)	(0.51)	(0.72)	(3.00)	(3.48)	(5.17)
Net profit	2.50	2.66	3.41	14.38	14.85	18.71
Minority interest	0.00	0.00	(0.68)	(2.85)	(2.93)	(3.62)
PAT after minorities	2.50	2.66	2.71	11.41	11.71	14.47
EPS (€cents)	6.13	3.91	2.29	9.63	9.95	12.53

Source: Greenko/ Mirabaud Securities estimates

Greenko has more than sufficient funding to build its current pipeline of projects. Yet in all likelihood further financing will be needed to meet management's 1GW target.

GEF's investment was part of a total equity raising in 2010 of €105.5m. Greenko also drew-down €18.8m of new project debt to finance the remainder of its pipeline. For the year-ending March 2010 it should have had a total balance of cash and bank deposits of €77.3m. As it continues to develop its projects this cash cushion should decline to €27.8m in March 2012. Thereafter, in theory, the Company should generate positive free cashflow. However, in practice, it is more likely that further financing will be required as management makes more acquisitions to reach its target capacity of 1GW.

⁶ The decline in generating costs is due to the switching of feedstock and final stage development of the LVS project.

Part II – Valuation

Indian & AIM Earnings Multiples

We have valued Greenko according to the WAV earnings multiples of a basket of domestically and AIM-listed IPPs. These are shown below.

Amongst the locally-listed IPPs and despite its mammoth size, there is a temptation to draw a comparison with the National Hydroelectric Power Corporation. NHPC has 13 large hydro power plants with a total installed capacity of 5.2GW.⁷ It has a market cap of INR360bn (€5.9bn) and is trading on 2011 P/E and EV/EBITDA multiples of 20.5x and 12.8x respectively. These multiples are at a discount to the rest of the Indian power market. As a government run company, NHPC's main purpose is to provide cheap power to the state - as opposed to expensive power to the merchant market. At the other end of the spectrum, Jaiprakash Power is more exposed to the merchant market, which partly explains why it is trading on significantly higher valuations. Nevertheless, the Indian market as a whole is trading on 2011 WAV P/E and EV/EBITDA multiples of 24.7x and 13.3x respectively.

Domestically-listed IPPs are trading on WAV 2011 P/E and EV/EBITDA multiples of 24.7x and 13.3x respectively.

Table IV: WAV Earnings Multiples

Indian Analogues	P/E 2011 (x)	EV/ EBITDA 2011 (x)
Jaiprakash Power Ventures (JPVL IN)	61.9	22.2
National Hydroelectric Power Corp. (NHPC IN)	20.5	12.8
Tata Power (TPWR IN)	16.7	10.9
Shriram EPC (SEPC IN)	21.9	nmf
NATP IN	17.1	11.9
GMR (GMRI IN)	nmf	16.2
Lanco Infratech (LANCI IN)	13.5	6.1
WAV	24.7	13.3
AIM-listed Analogues	P/E 2011 (x)	EV/ EBITDA 2011 (x)
Indian Energy (IEL.LN)	nmf	5.6
Renewable Energy Generation (WIND.LN)	41.4	5.3
KSK Power Ventures (KSK.LN)	30.6	13.6
WAV	31.2	13.2

Source: Bloomberg

KSK Power Ventur (KSK.LN) is listed on AIM. It is significantly bigger than Greenko with an operating capacity and near term pipeline of projects amounting to 862MW. It has a market cap of £844m (€971m) and is trading on March 2011 P/E and EV/EBITDA multiples of 30.6x and 13.6x respectively. Two other quasi-IPPs/ wind farmers are trading on AIM: Indian Energy (IEL.LN/ market cap. £15m) and Renewable Energy Generation (WIND.LN/ market cap. £52m). The addition of their multiples to the basket has a marginal affect in raising the WAV P/E multiple to 31.2x and dropping the WAV EV/EBITDA to 13.2x.

Minority Interest

The four WAV market multiples provide a set of valuations, from which GEF's 20% minority holding has been deducted. As shown below, this results in a broad valuation range of between £186m and 156p/share, and £312m and 262p/share.

Table V: WAV Earnings Multiples

GKO	Multiple (x)	Imp. Value (£m)	Minus GFE Holding (£m)	Per share (p)
P/E (Indian WAV)	24.7	308.7	246.9	207
P/E (UK WAV)	31.2	390.4	312.3	262
EBITDA (Indian WAV)	13.3	234.7	187.8	157
EBITDA (UK WAV)	13.2	232.8	186.3	156

Source: Bloomberg/ Mirabaud Securities estimates

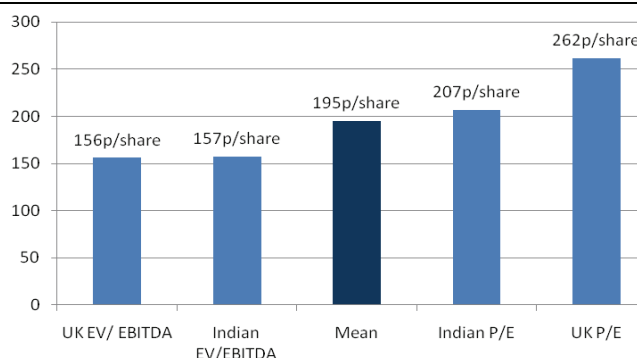
⁷ www.nhpcindia.com

The price target of 195p reflects the current installed capacity. The real upside will come as capacity is added.

The EV/EBITDA valuations are low because of the high levels of project debt, which reflect that the current projects are fully funded. Yet most of these projects are not due to come on stream until after March 2011. Nevertheless, the mean of all four valuations has been taken. Therefore this is weighted toward the bottom end of the range and results in a price target of 195p/share.

This price target equates to a limited upside of 23%. However, this is based on the Company's current capacity of 159MW, without ascribing any value to the pipeline of projects which have been licensed and financed. Additional upside will come as the Company adds capacity.

Table VI: Earnings Multiples Valuations



Source: Mirabaud Securities estimates

DCF Valuation

The DCF valuation of Greenko is highly dependent on the calculation of its Terminal Value (TV). This is mainly due to the high levels of near term capex, to build the projects. Given that this is so front-loaded, it obscures the long term value of the Company.

Nevertheless, as a base case we have used a Long Term Growth Rate (LTGR) of 2.5% and a WACC of 10%. As a sensitivity the WACC has been dropped to 11% and 12%. Again, GEF's minority holding in the Mauritian subsidiary has been removed and this results in the following valuations: WACC 10%:267p/share, WACC 11%:205p/share and WACC 12%:157p/share.

We stress that using a DCF is not ideal due to the high near term capex. Yet comfort can be taken that this exercise supports the higher end P/E valuations and it also indicates the accretion of value as more projects come on stream.

Table VII: Valuations per Earnings Multiples

DCF (€ m)	Mar-11e	Mar-12e	Mar-13e	Mar-14e	Mar-15e
EBITDA	27.40	31.11	50.48	88.32	106.35
Less Cash Taxes	(3.00)	(3.48)	(5.17)	(9.57)	(11.88)
Less capex	(115.89)	(125.44)	(55.32)	(18.69)	0.00
Changes in working capital	(8.98)	(1.56)	(1.38)	(10.57)	(4.50)
Cashflow from operations	(100.48)	(99.36)	(11.40)	49.49	89.97
Discounted cashflow	(91.34)	(82.11)	(8.56)	33.80	55.86
Sum of cashflows					(92.35)
TV					1,142.47
PV of TV					644.89
Sum of DCF & PV of TV					552.54
Net debt					(93.54)
Total (€m)					459.00
Total (£m)					399.13
Shares out					119.42
Per share (p)					334.23
Less GEF Holding					267.38

Source: Mirabaud Securities estimates

Using a WACC of 10% and a LTGR of 2.5% results in a valuation, less GEF's holding in the Mauritian subsidiary, of 267p/share.

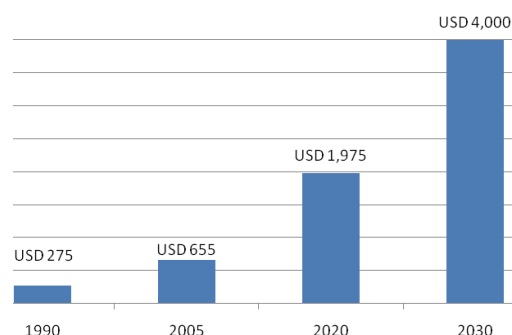
Part III – The Indian Energy Market

“Power for All”

India has a population of 1.1bn and an installed power capacity of 159GW. China has a population of 1.3bn and an installed capacity of 860GW.

The size of the Indian energy gap is shown by the fact that whilst India has a population of 1.1bn to China’s 1.3bn, India has a generating capacity of 159GW to China’s 860GW⁸. This energy gap should continue to widen. Over the period 2005 to 2030 India’s population is expected to grow by 1.2% per annum to 1.47bn⁹. Over the same period, in real terms, Indian GDP is forecast to grow at a 7.5% per annum over the next two decades, to US\$4,000bn.

Table VIII: India GDP Growth (US\$bn, 2000, Real)



Source: McKinsey

GDP growth has exacerbated the shortage of energy and capacity will have to increase if the government is going to reach its dual goal of ensuring that:

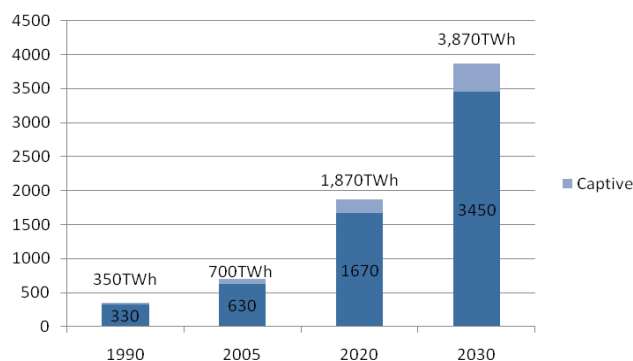
- Every household is grid-connected by 2010. As of 2005 only 44% of rural household had been electrified¹⁰.
- Per capita availability of electricity is to be increased to over 1,000 units by 2012. Hitherto we quoted the Central Electricity Authority’s (CEA) 17th Electricity Survey which cited an average consumption of 717kWh/capita in 2008. Based on data from the World Bank for 2007, India had an average consumption of 542kWh/capita. This was amongst the lowest in the world and on a par with Bolivia, at 515kWh/capita, and the Philippines, at 586kWh/capita.

In 2007 India’s average energy consumption was on a par to Bolivia’s.

The Energy Gap

The table below shows how power consumption is estimated to have increased annually by 4.7% to 2005. With rising GDP growth, this is forecasted to pick up to 7.1% over the period 2005 to 2030.

Table IX: Forecasted Energy Demand (TWh)



Source: McKinsey

⁸ China Coal Resource

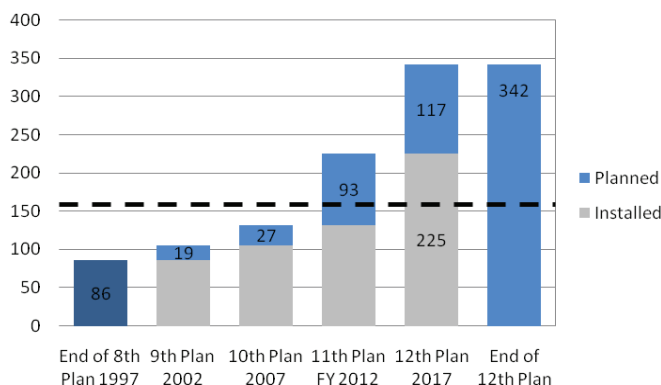
⁹ McKinsey India Environmental Energy Sustainability

¹⁰ CEA, National Electricity Policy

The Five Year Plans to increase generating capacity are ambitious, suggesting that in all likelihood that the energy gap will remain for quite a while to come.

These forecasts are supported in the near term estimates from the CEA of energy shortages of 9.3%, widening to peak power shortages of up to 12.6% in 2010. It would appear that this gap is set to continue. As shown by the table below, in the Government's 11th Plan, by 2012 the installed capacity is meant to increase by 93GW to 225GW. Yet by the end of March 2010, the CEA reported a total installed capacity of 159.4GW. This is shown by the dashed line below. Consequently, it would appear that the target is not going to be met, which would suggest that the installation of a further 117GW by 2017 is also wishful. This would indicate that the country's energy gap should last for quite a while to come.

Table X: Five Year Plans & Targets for Increased Capacity (GW)



Source: Greenko/ CEA

The Renewable Energy Market

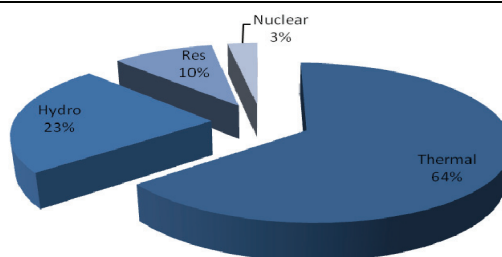
As per the Electricity Act of 2003, each State Electricity Regulatory Commissions (SERC) sets its own Renewable Purchase Obligation (RPO). However, increasingly the government has taken to setting targets whereby in theory the SERCs are meant to have set RPO targets of 10% by 2012 and of 20% by 2020. On a linear basis, this would suggest that by the end of the 12th Five Year Plan, by 2017 64GW of clean capacity would be needed. As shown in the table below, in March 2010 renewable capacity was estimated at 15.5GW. Consequently, if these targets are to be met, then this capacity will need to quadruple over the next seven years.

Renewable Obligations are getting tighter and clean energy generation will have to quadruple by 2020.

In addition, the National Action Plan for Climate Change (NAPCC) has suggested the enforcement of tighter targets. Instead of focusing on capacity (which can remain idle), it is targeting consumption, by proposing that by 2010 5% of the energy purchased must be renewable. Each year to 2020 this is to increase by 1%. By July 2009 it was estimated that only 3.5% of energy consumed came from renewable sources. Consequently this also points to the need for the fourfold increase in the provision of clean energy.

The table below shows the breakdown of installed capacity up to March 2010. In India large hydro projects are not classified as being "renewable". In the table below, the qualifying portion of the pie comes from the "Renewable Energy Sources" (RES – 15,521MW), which includes Small Hydro projects (SHPs), Biomass Gas (BG), Biomass Power (BP), Urban & Industrial Waste Power (U&I) and Wind Energy.

Table XI: Breakdown of Installed Capacity March 2010 (159.4GW)



Source: CEA

PART IV – The Company

History

Before founding Greenko, in 2004 Anil Chalamalasetty and Mahesh Kolli, had started Carbon Asset Services, which sourced Clean Development Mechanism (CDM) projects for aggregators of carbon credits in India. This gave M^{ESSYS} Chalamalasetty and Kolli an oversight of the fragmented nature of the clean energy sector. Most of the plants were held as standalone assets and there was a misconception that small assets equalled small returns. Consequently they took the view that a portfolio of such assets could be amassed and this would be an ideal way to participate in the narrowing of the country's energy gap by creating IPP of clean energy, and Greenko was founded in 2006.

Strategy – Focus on Hydro

The main focus has been on building up a portfolio of small (less than 25MW) hydro projects. Large hydro projects/ dams are not perceived as being "green" for the disruption caused to flora and fauna. In India large hydro projects are also subject to a "free electricity" charge. In effect this is a royalty on the use of the water. Nevertheless, small run-of-the river projects arguably have the best green credential and management also focused on such projects for the quality of their earnings and the following reasons:

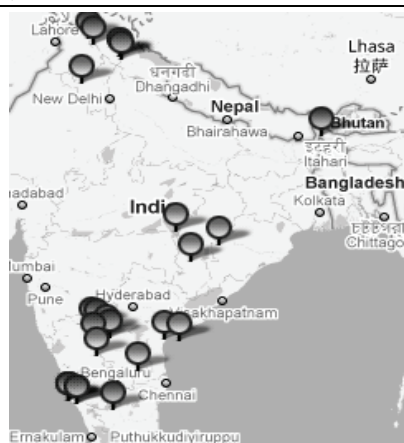
- Abundance of data and potential projects.
- Fast-tracking of permitting and shorter construction time than most power projects.
- Absence of technology risk.
- High efficiencies.
- Preferential tax treatment.

Nevertheless, in order to generate an immediate cashflow, the Company acquired some operating biomass plants. For the most parts these were all CDM compliant, meaning that they produce carbon credits and, in using agricultural waste feed stocks, the fuel-for-food conflict is avoided.

The Company's portfolio is therefore well hedged in the diversity of its hydro, biomass and, more recently, its gas assets. The Indian wind market has recently undergone structural change with the introduction of the Generation Based Initiative (GBI – this is not dissimilar the Feed-In Tariffs and the subsidies are very generous). Consequently, in due course we expect that the Company will also acquire some wind assets.

Climate risk/ seasonality is mitigated (as best as possible) by acquiring and developing assets in different climate zones throughout the country. As shown in the map below, the hydro plants are situated in the south-western State of Karnataka and up toward Hyderabad, and then running along the Himalayas from Pakistan to Bhutan. The biomass plants are situated in the central belt of Chhattisgarh and clockwise down through the south-eastern State of Andhra Pradesh to Karnataka. The LVS gas project is in the State of Andhra Pradesh.

Table XII: Map of Greenko's Projects



Source: Google/ Greenko (www.greenkogroup.com)

Management's aim is to amass a portfolio of small, high quality clean energy projects.

Small run-of-the river projects have the best green credentials. They are also highly cash generative.

Yet the model is technologically diverse in that it has biomass and gas assets. Given the structural change of the wind market, we expect that Greenko will also pick up some wind assets.

The Board & Senior Management

Mr. Prasad has been involved in the installation of 3.2GW of power throughout India.

Non-Executive Chairman, Harish Chandra Prasad, Mr. Prasad has been responsible for the setting up of 3.2GW of capacity in India. He started his career at Desein Power Ltd, before moving to Spectrum Power Generation and then Lanco Group where he rose to becoming Managing Director (Power). He is also the founder of Malaxmi Energy Ventures, a private infrastructure group. Mr. Prasad is also a non-executive director of MIC Electronics.

Founder, CEO & Managing Director, Anil Kumar Chalamalasetty has founded a number of IT, environmental and infrastructure companies, including Carbon Asset Services and Lytag Asia (which imports Lytag building products into India) with Mr. Kolli. Mr. Chalamalasetty is a graduate in computer science and has an MA from North Western University in the US.

Founder, President & Joint Managing Director, Mahesh Kolli, in addition to his track record with Mr. Chalamalasetty, Mr. Kolli has a mechanical engineering degree from the University of Karnataka.

Mr. Pantam was the CFO of NTPC - India's largest power utility.

Non-Executive Director, Narasimhamulu Pantam, Mr. Pantam was the finance director at NTPC, India's largest power utility, and was responsible for listing NTPC. Mr. Pantam sits on a number of boards, including M/s Vijai Electricals Ltd and M/s Lanco Infratech Ltd, and he also acts as a consultant to a variety of public sector bodies at state and national levels, including Power Finance Corp and the Power Grid Corporation of India Ltd.

Non-Executive Director, Dr. Vivek Tandon is a founder of Aloe Private Equity. Aloe specialises in investing in telecommunications, renewable energy and environmental companies. He also sits on the boards of Allied Technology Group, Maxsys Ltd, Recupyl SAS and EnvironCom. Dr. Tandon is chairman of Greenko's remuneration committee.

Mr. Vadlamani is a founder of KSK Power Ventur, which is developing a pipeline of 10GW.

Non-Executive Director, Hari Kiran Vadlamani is a co-founder of KSK Power Ventur, the AIM-listed Indian IPP, which is also an investor in Greenko. Mr. Vadlamani is a chartered accountant and before working for KSK, he specialised as a corporate financier, focusing on capital markets and M&A transactions. Mr. Vadlamani is chairman of Greenko's audit committee.

Non-Executive Director, Vinodka Murria is UK based. She is a partner at Elderstreet Investments and the CEO of Advanced Computer Software Plc. Ms. Murria was the CEO of Computer Software Plc, which she took private ahead of merging it with IRIS, which was then sold to the US private equity house Hellman Friedman. Ms. Murria also sits on the boards on a number of other medical and technology companies. She has also won a collection of business awards, including in March 2010 "Asian Businesswoman of the Year".

Shareholders

Table XIII: Main 15 Shareholders

Shareholder	%
FCRP Aloe Environment	11.39
TPG Growth India	10.17
IMPAX Asset Management	7.09
ACMK Enterprise LT	6.80
FCRP Aloe Environment	6.46
Lloyds Banking Group	6.07
Standard Life	2.79
F & C Asset Management	2.77
Small is Beautiful	2.37
Green Investment Asia	2.20
Premier Fund Management	1.42
F & C Fund Management	1.39
IMPAX Asset Management	1.38
F & C Fund Management	1.06
Hargreaves Hale & Co.	0.48

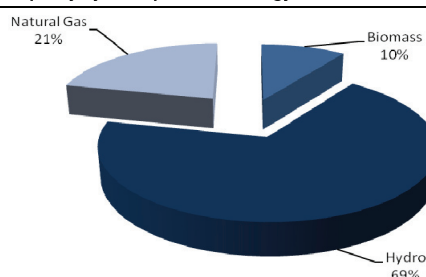
Source: Bloomberg

By 2014 Greenko should have 54MW of biomass, 117MW of natural gas and 375MW of hydro capacity.

Pipeline of Projects

The Company's projects and pipeline of projects are listed in Table XV at the bottom of this page. The letters preceding each project stands for: B) biomass, H) hydro and G) gas. The chart below shows the division of generation capacity by 2014.

Table XIV: Breakdown of Capacity by 2014 per Methodology



Source: Greenko

The Company's capacity should almost quadruple from the present 159MW to 545MW by March 2014.

Table XV below also list the current status of each project, with all new projects due to start contributing to consolidated earnings as of 31st March, i.e. at the last day of that year's end. Consequently the table is divided in four sections showing the capacity coming on stream by the years ending March 2010, 2012, 2013 and 2014.

The bulk of the projects have 20 year PPS with the state. However, management intends on selling approximately 25% of the electricity through short and medium term merchant contracts. The PLF column shows each project's load factor and the last column on the right shows the increase in Greenko's total installed capacity.

Table XV: List of Existing and Pipeline of Forthcoming Projects

Project	Status & contribution to model	MW	Tariff	PLF	MW
B1) Shri Balaji	Operating/ 31/03/09	6.00	State PPA 4.08	78.7%	6.0
B2) KMS Power	Operating/ 31/03/09	6.00	State PPA 3.86	71.9%	12.0
B3) Ravi Kiran	Operating/ 31/03/09	7.50	State PPA 4.60	75.0%	19.5
B4) Roshini Power	Operating/ 31/03/09	6.00	Merchant 5.40	85.0%	25.5
B5) ISA Power	Operating/ 31/03/09g	8.00	State PPA 3.95	85.0%	33.5
B6) Ecofren Power	Operating/ 31/03 /09	8.00	State PPA 3.96	85.0%	41.5
¹¹ G1) LVS Phase I	Acquired/ 01/03/09	36.80	State PPA 4.50	80.0%	78.3
H1) AMR Perla	Operating/ 31/03/10	24.75	State PPA 3.25	37.0%	103.1
H2) Rithwik Energy	Operating/ 31/03/10	24.75	Merchant 4.75	37.0%	127.8
H3) Sonna Power	Commissioned/ 31/03/10	10.50	State PPA 3.25	32.0%	138.3
H4) Sai Spurthi	Operating/ 31/03/10	10.25	State PPA 3.23	37.0%	148.6
H5) Astha - Dehar	Operating/ 31/03/9	5.00	State PPA 2.87	55.0%	153.6
H6) Astha- Upper AWA	Operating/ 31/03/10	5.00	State PPA 3.06	62.0%	158.6
G2) LVS Phase II A	Re-developed/ 01/03/12	18.20	State PPA 3.27	80.0%	176.8
G3) LVS Phase II B	Re-developed/ 01/03/12	30.00	Merchant 5.00	80.0%	206.8
B7) Visveshwaraya	Licensed/ 31/03/12	12.00	Merchant 5.40	76.1%	218.8
H7) AMR 2	Licensed/ 31/03/12	10.00	Merchant 5.40	25.0%	228.8
G4) LVS Phase III	Re-developed/ 01/03/13	32.00	Merchant 5.00	80.0%	260.8
H8) Jeori I & II	Licensed/ 31/03/13	9.60	State PPA 2.87	60.0%	270.4
H9) Joladadagai II	Licensed/ 31/03/13	16.00	Merchant 3.90	32.0%	286.4
H10) Paudital Lassa	Licensed/ 31/03/13	24.00	Merchant 3.90	65.4%	310.4
H11) Kallur (Jasper II)	Licensed/ 31/03/13	16.00	State PPA 5.00	32.0%	326.4
H12) Ullipu Stage 1	Licensed/ 31/03/13	12.50	Merchant 5.00	36.0%	338.9
H13) Ullipu Stage 2	Licensed/ 31/03/13	10.25	Merchant 5.00	36.0%	349.1
H14) Dikchu	Licensed/ 31/03/14	96.00	Merchant 5.00	55.0%	445.1
H15) Cauvery Basin	Licensed/ 31/03/14	100.00	State PPA 3.25	40.0%	545.1

Source: Greenko

¹¹ The LVS project will be developed in four stages. At present it has a capacity of 36.8MW and on conversion to an open cycle gas plant this should drop to 32MW. In addition, an 85MW CCGT plant should be built and management expects to sell 55MW to the state and the remaining capacity to the merchant market. In total, on completion the LVS project should have a capacity of 117MW.

PART V – Financial Forecasts

Revenue Model

In our financial spreadsheets, all of the underlying projects have been modelled to provide the forecasts for the consolidated entity. However, for the sake of brevity all of these models have not been included in this document. Instead, by way example and explanation, we have discussed the revenue model and profit & loss accounts of a hydro, a biomass and the LVS gas project. (All of the underlying projects have been modelled in INR, whilst the consolidated results and forecasts are shown in €.)

Hydro - Rithwik (24.75MW)

Revenue Model

Rithwik was commission in March 2010. Rithwik is located in the State of Karnataka to the south of the country. The low load factor of 37% reflects that it should run for eight months a year, from July through to January. The remaining four months tend to be dry. In comparison, for example, Paudital Lassa and Dikchu (H10 and H14 in the table above) are in the Himalayas and are estimated to have load factors of 65% and 55% respectively.

Royalty fees are not charged in Karnataka. However, Rithwik is subject to a transmission of electricity or “wheeling charge” of 5% of the electricity produced. At full production Rithwik should be able to sell into the grid 75.4m kWh pa. Management expects to sell this into the merchant market at INR5.40/kWh (€8.9c/kWh), tailing-off in 2015 to 4.50/kWh (€7.4c/kWh).

Rithwik should produce 58,000 CERs (Certified Emission Reductions - carbon credits) per annum. Pre and post-2012 (i.e. when the Kyoto Protocol lapses) credits are being priced at €12.00/tCO₂ and €8.00/tCO₂ respectively.

Over the longer term we are using a merchant tariff of INR4.50/kWh (€7.70c/kWh).

Table XVI: Revenue Model – Rithwik 24.75MW

H2) Rithwik Energy	Mar-10e	Mar-11e	Mar-12e	Mar-13e	Mar-14e
PLF	16.7%	33.3%	37.0%	37.00%	37.00%
In-house consumption & leakage	1%	1.0%	1.0%	1.00%	1.00%
Royalty (free power)					
Wheeling Charges	5%	5%	5%	5%	5%
Tariffs - merchant power (INR/kWh)	2.80	5.40	5.40	5.40	5.40
CER generation	78%	78%	78%	78%	78%
Spares & manufacturing (% of capex)		1.5%	1.5%	1.5%	1.5%
Employees (EoP)	25	25	25	25	25
Personnel cost per employee (INR '000)	113.00	124.3	136.7	150.3	165.4
Admin. expense per employee (INR '000)	85.30	87.9	90.5	93.3	96.1
Generation	Mar-10e	Mar-11e	Mar-12e	Mar-13e	Mar-14e
Units generated b(kWh)		72.00	80.22	80.22	80.22
Power available for sale (kWh)		71.28	79.42	79.42	79.42
Free power (kWh)					
Wheeling charge (kWh)		3.60	4.01	4.01	4.01
Units exported (kWh)		67.68	75.41	75.41	75.41
Electricity revenues (INRm)		365.47	407.20	407.20	407.20
CERs (tonnes)		52.79	58.82	58.82	58.82
CER price (€/t)	12.00	12.00	12.00	8.00	8.00
CER (€:INR61)	732	732	732	488	488
CER sales (INRm)		38.64	43.05	28.70	28.70

Source: Greenko/ Mirabaud Securities estimates

Profit & Loss Account

Rithwik's profit & loss account is shown below. At full production it should have electricity sales of INR407.2m (€6.7m). Total revenues drop in 2013 as a result of the use of a lower CER price.

At full production Rithwik should have an EBITDA margin of 94%.

Despite the comparatively low load factor, Rithwik's EBITDA margin of 94% shows the quality of earnings which can be generated from a small hydro project. However, Rithwik benefits in that it is not burdened with any of the central overheads, which in the model have mostly been ascribed to the Shri Balaji biomass plant (B1 in Table XII).

At full production in 2012, Rithwik should have an EBITDA of INR425.3m (€7m), which should gradually decline principally on the basis of the lower CER price and because administrative and labour costs are forecast to rise each year by 2% and 10% respectively.

The model assumes that each project will have a straight-line depreciation equating to 5% of the projects capital cost. The capital costs of building Rithwik are very low at INR1.3bn (€21m & €406,000/MW). This reflects that much of the excavation, construction and engineering costs are shared with its neighbouring project AMR (barely a shower curtain divides the two turbine halls). Projects in the south typically also have a lower construction costs than their northern and Himalayan counterparts. For example, the 96MW Dikchu project is expected to cost INR5.7bn (€93.4m & €1.6m/MW).

The projects are funded 70% by non-recourse project debt and each loan facility is available typically for eight to ten years. In all of the projects it is assumed that the cost of borrowing remains at 12%. However, in reality it should be possible that this interest rate can be lowered to approximately 11.50%.

As a "green" energy project, Rithwik qualifies for the Minimum Alternate Tax (MAT). In effect this lowers the corporate income tax burden on "book profits" from 30% to 19.6% over a ten year period. In 2013 Rithwik's net profit should stabilise at INR190.3m (€3.1m), before then gradually increasing on the lower net interest charges.

Table XVII: Rithwik Profit & Loss Account

P & L (INRm)	Mar-11e	Mar-12e	Mar-13e	Mar-14e
Power sales	365.47	407.20	407.20	407.20
CER Sales	38.64	43.05	28.70	28.70
Total revenues	404.11	450.25	435.90	435.90
Maintenance costs	(19.23)	(19.23)	(19.23)	(19.23)
Manpower	(3.11)	(3.42)	(3.76)	(4.14)
Administrative	(2.20)	(2.26)	(2.33)	(2.40)
Total expenses	(24.53)	(24.91)	(25.32)	(25.76)
EBITDA	379.58	425.34	410.58	410.13
<i>Margin</i>	<i>94%</i>	<i>94%</i>	<i>94%</i>	<i>94%</i>
Depreciation & amortisation	(64.09)	(64.09)	(64.09)	(64.09)
Operating profit	315.49	361.25	346.49	346.04
Net interest	(117.39)	(114.59)	(110.44)	(106.28)
Provision for tax	(38.43)	(47.85)	(45.79)	(46.51)
Net profit consolidated to GKO	159.67	198.81	190.26	193.25

Source: Greenko/ Mirabaud Securities estimates

Biomass - Ravikiran (7.5MW)

Greenko has six operating biomass plants and another one is being built. This gives Greenko a total biomass capacity of 54MW. Ravikiran is a mid-sized operation with an installed capacity of 7.5MW and a load factor of 75%. It has a state PPA with a tariff of INR4.60 (€7.5c/kWh).

The biomass plants still have attractive EBITDA margins of approximately 43%.

The biomass plants have higher in-house energy consumption. At Ravikiran this amounts to 13.6%. Mainly due to feedstock costs, the biomass projects have a lower EBITDA margin. Yet at 43% this is still healthy. EBITDA and net profits are forecasted to decrease as the model assumes that feedstock, manpower and administrative costs rise. However, this could be reversed with a rising electricity tariff and CER price.

Table XVIII: Ravikiran Profit & Loss Account

P & L (INRm)	Mar-10e	Mar-11e	Mar-12e	Mar-13e	Mar-14e
Power sales	132.02	195.84	195.84	195.84	195.84
CER Sales	16.04	24.31	24.31	16.21	16.21
Total revenues	148.06	220.15	220.15	212.04	212.04
Feedstock costs	(65.25)	(93.31)	(96.09)	(99.01)	(101.99)
Maintenance costs	(10.40)	(11.36)	(11.36)	(11.36)	(11.36)
Manpower	(5.69)	(6.94)	(7.63)	(8.39)	(9.23)
Administrative	(3.52)	(4.92)	(5.07)	(5.22)	(5.38)
Total expenses	(84.86)	(116.53)	(120.14)	(123.98)	(127.97)
EBITDA	63.20	103.62	100.00	88.06	84.08
<i>Margin</i>	<i>43%</i>	<i>47%</i>	<i>45%</i>	<i>42%</i>	<i>40%</i>
Dep. & amortisation.	(16.22)	(16.22)	(16.22)	(16.22)	(16.22)
Op. Profit	46.98	87.40	83.78	71.84	67.86
Net interest	(18.00)	(15.96)	(11.87)	(7.78)	(4.86)
Provision for tax	(5.22)	(13.86)	(13.95)	(12.43)	(12.22)
Net Profit	23.76	57.58	57.96	51.63	50.78

Source: Greenko/ Mirabaud Security estimates

Natural Gas - LVS (117MW)

In March 2010 Greenko acquired the LVS plant. At present this is a liquid fuel (naphtha) operation with 36.8MW of installed capacity. It is run as a tolling operation, whereby the operator buys the feedstock at the equivalent of INR1.45/kWh (€2.4c/kWh) and sells the electricity at INR7.94kWh (€13c/kWh).

The plant will be converted into a CCGT plant. Initially this will involve lowering the plant's capacity to 32MW. However, on the final redevelopment of the project it should have a capacity of 117MW. 55MW is to be sold with a state PPA of INR3.2kWh (€5.2kWh). The remaining capacity is to be sold to the merchant market at a tariff of INR5.00kWh (€8.2c/kWh), decreasing in 2015 to INR4.50/kWh (€7.4c/kWh).

Table XIX: LVS Profit & Loss Account

P & L (INRm)	Mar-10e	Mar-11e	Mar-12e	Mar-13e	Mar-14e
Power sales	144.66	1,945.68	2,111.87	2,272.34	32,29.83
Generation costs	(118.24)	(1,598.42)	(1,670.39)	(1,024.92)	(1,675.61)
Maintenance costs	(2.42)	(29.73)	(52.21)	(178.27)	(228.34)
Total expenses	(120.66)	(1,628.15)	(1,722.60)	(1,203.19)	(1,903.95)
EBITDA	24.00	317.54	389.28	1,069.14	1,325.87
<i>Margin</i>	<i>17%</i>	<i>16%</i>	<i>18%</i>	<i>47%</i>	<i>41%</i>
Dep. & amortisation.	(33.75)	(67.50)	(154.63)	(183.00)	(191.75)
Op. profit	(9.75)	250.04	234.65	886.14	1,134.12
Net interest	0.00	0.00	(16.80)	(278.90)	(271.72)
Provision for tax	0.00	(48.51)	(49.21)	(122.54)	(173.25)
Net Profit	(9.75)	201.53	168.64	484.70	689.15

Source: Greenko/ Mirabaud Security estimates

LVS is a liquid fuels tolling operation, which will be turned into a CCGT plant with a capacity of 117MW.

Consolidated Financials

Greenko's earnings are dictated essentially by three factors: its installed capacity, the project load factors and the tariffs achieved.

Greenko's earnings will be dictated essentially by three factors: its installed capacity, the efficiencies of the projects and the tariffs at which it sell it electricity. Table XXI shows the recent increase in average electricity prices in the state and merchant markets. The highest tariff in our forecasts is INR5.40/kWh (€8.9c/kWh) and these merchant prices tail-off in 2015 to INR4.50/kWh (for all the tariffs see Table XV). If anything this price might err on the cautious and merchant prices might continue to remain high, especially if the energy gap widens. (In addition, it is more likely than not that the post-2012 CER price should be higher than €8.00/tCO₂.)

Table XX: Increase in Installed Capacity

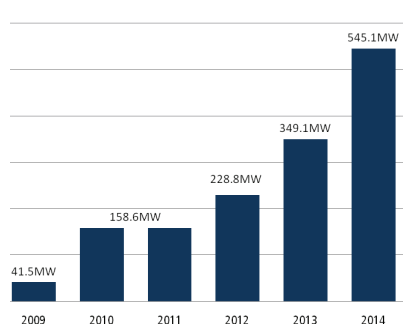
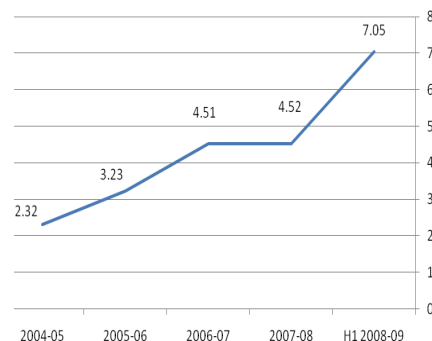


Table XXI: Increase in Average Electricity Tariff (INR/kWh)



Source: Greenko

Profit & Loss Account

The big increases in revenues should happen in March 2011 and March 2014 with the step-ups in capacity.

Throughout our forecasts we are using a flat exchange rate of €1.00:INR61. Since 2009 the € has depreciated from €1.00:INR67.48 and recently it has fallen even further to the present €1.00:INR56. This devaluation will have a positive impact on Greenko's 2010 year-on-year results. However, revenues in 2010 should have increased from €13.9m to €20.9m mainly due to the acquisition of the LVS project. By March 2011 six hydro projects (see Table XIV, page 10) should come on stream and hence earnings for the year should rise more than three-fold to €68.7m. Thereafter, the next major step-up in earnings should come in 2014 as more projects come on stream.

Table XXII: Greenko Profit & Loss Account March 2009a to March 2014e

GKO P & (€m)	Mar-09a	Mar-10e	Mar-11e	Mar-12e	Mar-13e	Mar-14e
Power Generation	12.65	19.00	64.67	71.84	87.45	138.83
CER Sales Revenue	1.23	1.89	4.01	4.54	4.17	7.78
Total Revenue	13.87	20.89	68.68	76.38	91.62	146.61
Other Income	0.44		2.90	2.20	2.42	2.66
Feedstock	(6.89)	(10.47)	(35.31)	(37.57)	(29.25)	(40.30)
Spares & manufacturing		(0.98)	(2.74)	(3.32)	(6.58)	(9.37)
Personnel cost	(1.96)	(0.64)	(0.89)	(1.18)	(1.74)	(2.58)
Admin. expense	(1.20)	(0.37)	(0.64)	(0.79)	(1.09)	(1.51)
Corporate cost	1.80	(2.36)	(4.60)	(4.60)	(4.90)	(7.20)
Total expense	(8.25)	(14.82)	(44.19)	(47.47)	(43.56)	(60.95)
EBITDA	6.06	6.07	27.40	31.11	50.48	88.32
<i>EBITDA margin (%)</i>	<i>44%</i>	<i>29%</i>	<i>40%</i>	<i>41%</i>	<i>55%</i>	<i>60%</i>
Depreciation	(1.52)	(2.17)	(6.38)	(8.42)	(13.06)	(19.56)
EBIT	4.54	3.90	21.02	22.70	37.42	68.76
Finance costs	(2.29)	(1.45)	(6.41)	(6.78)	(15.30)	(25.25)
Interest income	0.92	1.68	2.77	2.40	1.76	2.98
PBT	3.17	4.13	17.38	18.32	23.88	46.50
Taxation	(0.51)	(0.72)	(3.00)	(3.48)	(5.17)	(9.57)
Net profit	2.66	3.41	14.38	14.85	18.71	36.92
Minority interest		(0.68)	(2.88)	(2.97)	(3.74)	(7.38)
PAT Consolidated GKO	2.66	2.73	11.50	11.88	14.97	29.54

Source: Greenko/ Mirabaud Securities estimates

The EBITDA margin should increase from 29% in 2010 to 60% in 2014 as the corporate overhead is increasingly covered.

In 2010 EBITDA is forecasted to remain flat at €6.1m. Other revenues (below the total revenue line) refers to earnings generated from energy trading. In 2011 EBITDA margin should begin to improve from 29% to 40%, mainly as a result of the corporate overhead being increasingly covered. Thereafter EBITDA should largely increase in-line with the addition in capacity. Feedstock costs fall significantly in 2013, which should be the result of the switching over from using naphtha to natural gas at the LVS plant.

Operating income in 2010 should decrease from €4.5m to €3.9m. This is mainly the result of the higher depreciation charges, due to the acquisition of the LVS project. However, this is recouped with higher interest income arising from the two capital raisings in 2010. Net profits before minorities should increase from €2.7m to €3.4m. After the minority payment to GEF, the consolidated profits to Greenko should remain flat at €2.7m. In 2011 the consolidated profit should rise to €11.5m. In 2012 the increase in profits will be smaller. Again this is due to higher depreciation charges arising from more projects coming on stream. In March 2014 consolidated profits should nearly double to €29.5m. Again, this is the result of the addition of new capacity.

Cashflow Statement

Table XXIII: Greenko Cashflow March 2009a to March 2014e

Cashflow (€m)	Mar-09a	Mar-10e	Mar-11e	Mar-12e	Mar-13e	Mar-14e
PBT	3.17	4.13	17.38	18.32	23.88	46.50
Depreciation & amortisation	1.52	2.17	6.38	8.42	13.06	19.56
Impairment of electricity PPA	0.08					
Share based payments	0.59					
Finance income	(0.92)	(1.68)	(2.77)	(2.40)	(1.76)	(2.98)
Finance cost	2.29	1.45	6.41	6.78	15.30	25.25
Excess in the fair value	(1.80)					
Operating cashflow	4.93	6.07	27.40	31.11	50.48	88.32
Decrease in inventories	(1.12)	(0.64)	(3.36)	(0.42)	0.51	(1.86)
Trade and other receivables	(4.91)	(1.40)	(7.86)	(1.41)	(1.55)	(9.95)
Advances & deposits		(0.63)	(4.48)	(0.56)	0.68	(2.48)
Trade and other payables	0.32	0.43	2.24	0.28	(0.34)	1.24
Changes in working capital	(5.71)	(1.62)	(8.98)	(1.56)	(1.38)	(10.57)
Taxes	(0.23)	(0.72)	(3.00)	(3.48)	(5.17)	(9.57)
Net cashflow from operations	(1.00)	3.74	15.42	26.08	43.93	68.18
Purchase of property, plants etc	(10.07)	(63.80)	(115.89)	(125.44)	(55.32)	(18.69)
Acquisition of business,	(1.57)					
Investment in associates	(0.00)					
Advance purchase of equity	(2.45)					
Bank deposits	(7.48)					
Interest received	0.75					
Net cashflow from investing	(20.81)	(63.80)	(115.89)	(125.44)	(55.32)	(18.69)
Free cashflow	(21.82)	(60.06)	(100.48)	(99.36)	(11.40)	49.49
Free cashflow per share	(0.18)	(0.50)	(0.84)	(0.83)	(0.10)	0.41
Financing Flows						
Proceeds from issue of shares		105.49				
Grants from Govt. of India	0.35					
Proceeds from borrowings	6.38	18.80	81.13	87.81	38.73	13.08
Repayment of borrowings	(2.43)		(3.19)	(4.64)	(10.31)	(16.22)
Interest paid	(2.00)	(1.45)	(6.41)	(6.78)	(15.30)	(25.25)
Interest received		1.68	2.77	2.40	1.76	2.98
Dividend paid						
Net cash used in financing	2.30	124.51	74.29	78.79	14.88	(25.41)
Net incr./ (decr.) in cash	(19.52)	64.45	(26.19)	(20.56)	3.48	24.09
Cash at year start	23.43	3.66	68.48	42.29	21.72	25.20
FX losses on derivatives	(0.25)	0.37				
Cash at year end	3.66	68.48	42.29	21.72	25.20	49.29

Source: Greenko/ Mirabaud Securities estimates

Greenko's operating cashflow should increase in 2010 from €4.9m to €6.1m – again this is largely as a result of the acquisition of the LVS project. In 2011 the operating cashflow should rise almost five-fold to €27.4m as a result of the added capacity coming on stream.

In 2010 capex rises from €20.8m to €63.8m as new capacity was added. In 2012 this should peak at €125.4m. To finance the current pipeline of projects, in 2010 €105.5m of new equity was raised. To finance its construction program, more project debt will be drawn-down. As a result of last year's financing, Greenko should have a rising cash balance in 2010 of €68.5m. Together with bank deposits, this should amount to a total March year-end cash balance of €77.3m (see Table XXV overleaf).

However, given the investment program, Greenko's cash balance should continue to decline to a low in 2012 of €21.7m. In theory, as of 2013 the Company should start generating free cashflow, ending the year with a cash balance and a balance of cash and deposits of €25.2m and €34m respectively.

Greenko has ample cash balances and, in theory, as of March 2013 it should become free cashflow generative.

Balance Sheet & Project Debt

Table XXIV: Greenko Cashflow March 2009a to March 2014e

Balance Sheet (€m)	Mar-09a	Mar-10e	Mar-11e	Mar-12e	Mar-13e	Mar-14e
Fixed Assets						
Property, plant & mach.	67.43	134.18	240.82	354.87	393.39	385.14
Intangibles	11.34	12.55	12.55	12.55	12.55	12.55
Available assets for sale	0.02	0.02	0.02	0.02	0.02	0.02
Bank deposits	0.27	0.30	0.30	0.30	0.30	0.30
Trade & Other receivables	0.34	0.37	0.37	0.37	0.37	0.37
Fixed Assets	79.40	147.42	254.06	368.11	406.64	398.38
Current Assets						
Inventories	2.35	1.63	4.99	5.41	4.90	6.76
Trade & other receivables	14.66	4.12	11.99	13.40	14.95	24.89
Assets-for-sale	0.01	0.01	0.01	0.01	0.01	0.01
Derivative financial assets	0.16	0.17	0.17	0.17	0.17	0.17
Bank deposits	7.72	8.54	8.54	8.54	8.54	8.54
Current income taxes	0.02	0.02	0.02	0.02	0.02	0.02
Cash and equivalents	3.66	68.48	42.29	21.72	25.20	49.29
Current Assets	28.57	82.97	68.00	49.27	53.79	89.68
Current Liabilities						
Trade and other payables	5.81	1.09	3.32	3.61	3.27	4.51
Borrowings	10.56	11.69	11.69	11.69	11.69	11.69
Current liabilities	16.37	12.77	15.01	15.29	14.95	16.19
Non Current Liabilities						
Long term debt	32.52	54.77	132.70	215.87	244.28	241.14
Deferred tax liabilities	2.52	2.79	2.79	2.79	2.79	2.79
Retirement obligations	0.02	0.03	0.03	0.03	0.03	0.03
Non Current Liabilities	35.06	57.58	135.51	218.68	247.09	243.95
Shareholders' Funds						
Ordinary shares	0.34	0.38	0.38	0.38	0.38	0.38
Share Premium	55.81	156.49	156.49	156.49	156.49	156.49
Share-based reserves	0.59	0.65	0.65	0.65	0.65	0.65
Revaluation reserves	0.33	0.37	0.37	0.37	0.37	0.37
Currency reserves	(6.18)	(6.84)	(6.84)	(6.84)	(6.84)	(6.84)
Other reserves	0.34	0.37	0.37	0.37	0.37	0.37
Retained earnings	5.31	8.61	20.11	31.98	46.95	76.49
Total Shareholder Funds	56.55	160.03	171.53	183.41	198.38	227.92

Source: Greenko/ Mirabaud Securities estimates

Project Debt

With exception of a €3m facility, all of Greenko's debt is project non-recourse debt. For the most part these are ten year facilities and carry an interest rate of 12%. In due course it might be possible to renegotiate these interest rates down to approximately 11.5%.

Given the increase in capacity, the total project debt should increase from €43.1m in 2009 to €66.5m in 2010, as shown in the table below. The net cash position in March 2010 is as a result of the recent capital raising. Total project debt should peak in 2013 at €256m.

Greenko should comfortably be able to service this debt. As shown below, the interest cover, (let alone the net interest cover) ranges between 2.6x and 4.6x. Given the rising cash balance, in theory, there should also be scope to pay down debt at a faster pace. However, given management's intention to increase the installed capacity to over 1GW by 2015, this will be unlikely.

In theory Greenko should be able to expedite the payment of its debt. Yet this is unlikely given the intention to build-up capacity to over 1GW.

Table XXV: Greenko Cashflow March 2009a to March 2014e

€m	Total Debt	Cash+ Deposits	Net Debt	EBITDA	Interest	Interest cover
2009a	43.08	11.65	31.43	6.06	(2.29)	2.6x
2010e	66.46	77.32	(10.86)	6.07	(1.45)	4.2x
2011e	144.39	50.84	93.54	27.40	(6.41)	4.3x
2012e	227.55	30.56	196.99	31.11	(6.78)	4.6x
2013e	255.97	34.04	221.93	50.48	(15.30)	3.3x
2014e	252.83	58.13	194.7	88.32	(25.25)	3.5x

Source: Greenko/ Mirabaud Securities estimates

PART VI – Conclusion

- The Indian energy market is highly attractive. The energy gap looks set to continue for quite a while to come and the drive for additional capacity is dictated by social as much as economic needs.
- This suggests that power prices should remain buoyant and consequently there will be an increasing scramble for generating and particularly green generating assets.
- Greenko is well on its way in building up a sizeable portfolio of clean energy assets. Once it breaks the 1GW threshold it should become an attractive acquisition target for other IPPs and utilities.
- In the meanwhile, it also offers a value play. The WAV earnings multiples of domestically and AIM-listed IPPs suggest a mean price target of 195p/share – a limited 23% upside. However, this upside will rise as capacity increases.
- Greenko's story is compelling. Perhaps the pace of growth has at time impacted on communications with the investment community and a solution to this could be the appointment of a CFO.

RECOMMENDATIONS HISTORY

DATE	INDEX (AIM)	COMPANY	PRICE (P)	TARGET PRICE (P)	REC.
19 TH MAY 2010	3145.3	GREENKO	158	195	BUY

Source: Mirabaud Securities estimates

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BUY: The stock is expected to generate absolute positive price performance of over 20% during the next 12 months.

OVERWEIGHT: The stock is expected to generate absolute positive price performance of 10-20% during the next 12 months

NEUTRAL: The stock is expected to generate absolute price performance of between 10% positive and 10% negative during the next 12 months.

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