

## OPG Power Ventures

Industrials

5 April 2022

### Management succession and update

The current elevated Indonesian coal price has left Indian thermal power company OPG Power Ventures (OPG) valued at an 83% discount to net asset value (NAV) at end September 2021. Closing this discrepancy should be driven by a) actions being taken to mitigate this cost pressure and b) further details of the potential from the developing sustainability strategy.

### Management succession

OPG's founder, Mr Arvind Gupta, is stepping down as chairman and will be succeeded by Mr N Kumar, a non-executive director since November 2019, who will hold the position of non-executive chairman. Ms Avantika Gupta, who has been chief operating officer since 2018, is assuming the post of chief executive officer. These changes ensure a smooth transition, and the introduction of an independent non-executive chairman will improve the governance structure.

### Strategy update

The group continues to develop its environmental strategy. Following the announcement in February that OPG had invested in Atsuya Technologies, a Chennai-based sustainability solutions provider, the company has also announced the formation of a 'new energy panel', an internal group reporting to the CEO and board.

### Trading update

Management confirmed that trading for the year to 31 March 2022 is in line with previous guidance. The company remains confident of its liquidity position (last reported net debt of £16.2m at end December 2021) and is sourcing increased levels of cheaper domestic coal as well as looking to reduce its cost base to mitigate the pressure on margins from higher-cost Indonesian coal. Further clarity on the FY23 outlook is expected with the publication of the FY22 results.

### Valuation

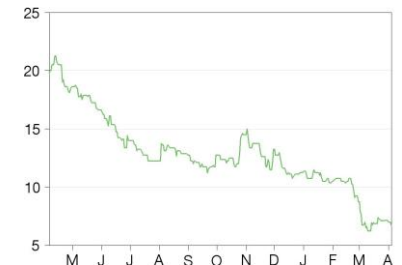
Current concerns over the impact of higher coal prices are weighing on the share price. A market capitalisation of £28m versus a NAV of £167m at the half year to 30 September 2021 represents a significant discrepancy, although it may need greater clarity on the pathway through the current coal price pressures for this disparity to narrow.

| Consensus estimates |              |          |         |         |         |           |
|---------------------|--------------|----------|---------|---------|---------|-----------|
| Year end            | Revenue (£m) | PBT (£m) | EPS (p) | DPS (p) | P/E (x) | Yield (%) |
| 03/20               | 154.0        | 14.5     | 2.11    | 0.0     | 3.3     | N/A       |
| 03/21               | 93.8         | 21.6     | 3.52    | 0.0     | 2.0     | N/A       |
| 03/22e              | 73.7         | 10.0     | 1.50    | 0.0     | 4.7     | N/A       |

Source: Company reports, Refinitiv consensus forecasts

Price 7.0p  
Market cap £28m

#### Share price graph



#### Share details

|                                       |        |
|---------------------------------------|--------|
| Code                                  | OPG    |
| Listing                               | AIM    |
| Shares in issue                       | 400.7m |
| Reported net debt at 31 December 2021 | £16.2m |

#### Business description

OPG Power Ventures is an independent power producer based in Chennai, India. Its key asset is a 414MW coal-fired thermal power plant in Chennai and it also has 62MW solar assets in Karnataka (31% interest). The majority of power (c 80%) is sold to independent commercial captive consumers, permitting preferential tariffs, improved payment terms and reduced concentration of risk with over 200 individual captive consumers.

#### Bull

- Strong cash flow generation from a mature asset base (no development risk) and rapidly deleveraging balance sheet.
- Exposure to the high-growth Indian economy.
- Opportunities from nascent renewables business.

#### Bear

- Negative impact on margins from high coal price.
- Environmental legislation will require additional capex at the Chennai plant.
- Recent low solar tariff bid levels affect the returns available from new investment.

#### Analyst

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