

NTPC LTD.

SELL
CMP Rs215
TP Rs203

29 Jan 2010

NTPC's Q3FY10 sales were below estimate but PAT was largely inline with 5% YoY growth led by savings in interest cost. Volumes seems to be the dragger and is estimated to be flattish at ~50MU.

Increased Installed Capacity

NTPC's installed capacity has increased to 31,134MW with the commissioning of 490MW coal based National Capital Thermal Power project, Dadri unit 5, the first unit for Common Wealth Games.

Lower interest cost boost profitability

Interest cost during the quarter is down 33% YoY, while adjusted for foreign exchange gain of Rs748.5mn and loss of Rs178.3mn in the PY, it is lower by 15%.

Loharinag Pala Hydro Project

The construction work for the 600MW Loharinag Pala hydro project has been stopped for the time being on advise of MoP, We are factoring the project to be completed by FY13.

Capacity Expansion Plan

NTPC has outlined a very ambitious target to reach a total capacity of 48,000MW by 2012 and 75,000MW by 2017. We are factoring ~40,000MW by 2012.

FPO

NTPC's FPO will open on 3rd Feb 2010, were in the Govt will divest 5% (current holding 89.5%) stake to garner around Rs80-90bn based on bidding price.

VALUATIONS AND RECOMMENDATION

NTPC currently trades at a P/BV of 2.8x FY10E and 2.6x FY11E. We value NTPC at a DCF value of Rs 203 estimating that it will add ~7,000MW between 2010 & 2013 versus the NTPC's expansion plan of 18,000MW, hence very sensitive towards execution book. We currently have a 'HOLD' recommendation on the stock.

KEY FINANCIALS (STANDALONE)

(Rs mn)

	FY08	FY09E	FY10E	FY11E	FY12E
Net Sales	370,501	419,237	477,298	546,383	604,907
YoY Gr. (%)	13.7	13.2	13.8	14.5	10.7
Op. Profits	115,529	103,978	135,306	161,073	178,691
OPM (%)	31.2	24.8	28.3	29.5	29.5
Adjusted Net Profit	74,148	82,013	82,291	95,377	101,859
YoY Gr. (%)	8.0	10.6	0.3	15.9	6.8

KEY RATIOS

Dil. EPS (Rs)	9.0	9.9	10.0	11.6	12.4
ROCE (%)	11.6	8.6	11.0	12.1	12.4
RoE (%)	14.0	14.2	13.2	13.9	13.5
PER (x)	23.9	21.6	21.5	18.6	17.4
EV/ Net Sales (x)	5.5	4.9	4.3	3.7	3.4
EV/EBDITA (x)	17.8	19.8	15.2	12.8	11.5

Vinod Nair +91-22-6618 6379

vinod.nair@pinc.co.in

Madhura Joshi +91-22-6618 6395

madhura.joshi@pinc.co.in

QUARTERLY SNAPSHOT (Rs mn)

	Quarter Ended		
	Jun-09	Sep-09	Dec-09
Net Sales	125,280	107,828	111,837
YoY Gr. (%)	25.8	11.6	(0.8)
Op.Profit	37,009	32,137	33,652
OPM (%)	29.5	29.8	30.1
Adj.Net Profit	21,936	21,520	23,650
YoY Gr. (%)	27.1	2	5.1

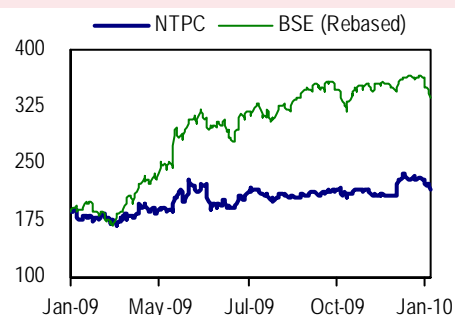
STOCK DATA

Market cap	1745.37bn
Book Value per share	Rs70
Shares O/S (F.V. Rs10)	8.2bn
Free Float	10.5%
Avg Trade Value (6 months)	Rs950mn
52 week High/Low	242/167
Bloomberg Code	NATP IN
Reuters Code	NTPC.BO

PERFORMANCE (%)

	1M	3M	12M
Absolute	(7.0)	(0.5)	16.0
Relative	(0.7)	(0.1)	(35.9)

RELATIVE PERFORMANCE



Capacity Addition Schedule

	Capacity (MW)	2008-09	2009-10	2010-11E	2011-12E	2012-13E
Coal Based - Ongoing						
1. Kahalgaon-II, Phase II, Unit – VII	500		500			
2. Sipat –II, Unit- V +Unit IV	500	1000				
3. Sipat-I	1980			1320	660	
4. Barh-I	1980				660	660
5. Korba-III	500		500			
6. Dadri ,NCTPP-II,	980		980			
7. Farakka-III	500			500		
8. Simhadri-II	1000			500	500	
9. Bongaigaon	750				250	
10. Mauda	1000					
11. Barh-II	1320				660	
Hydro Projects - Ongoing						
12. Koldam	800			800		
13. Loharinag Pala	600					600
14. Tapovan Vishnugad	520					520
Coal Based-New projects						
15. North Karanpura	1980				660	
16. Rihand-III	1000					
Gas Based-New Projects						
17. Kawas- II	1300					
18. Jhanor- Gandhar- II	1300					
Total Capacity (MW)	18510	1000	1980	3120	3390	1780

Source: Company, CEA, PINC Research

Quarterly result table					
(Rs mn)	Q3FY10	Q3FY09	YoY (%)	Q2FY10	QoQ (%)
Gross Sales	111,837.3	112,770.6		107,827.9	
Total Expenses	78,184.8	80,684.8	(3.1)	75,690.6	3.3
<i>%of net sales</i>	69.9	71.5		70.2	
Fuel cost	67,672.6	70,004.3	(3.3)	66,068.4	2.4
<i>%of net sales</i>	60.5	62.1		61.3	
Employee Cost	5,723.0	6,603.2	(13.3)	5,040.3	13.5
<i>%of net sales</i>	5.1	5.9		4.7	
Other Expenses	4,789.2	4,077.3	17.5	4,581.9	4.5
<i>%of net sales</i>	4.3	3.6		4.2	
EBITDA	33,652.5	32,085.8	4.9	32,137.3	4.7
<i>%of net sales</i>	30.1	28.5		29.8	
Depreciation	6,613.6	5,590.0	18.3	6,437.5	2.7
EBIT	27,038.9	26,495.8	2.0	25,699.8	5.2
<i>%of net sales</i>	24.2	23.5		23.8	
Interest	3,417.8	5,075.7	(32.7)	5,406.9	(36.8)
Other Income	7,791.3	8,512.8	(8.5)	7,410.0	5.1
PBT	31,412.4	29,932.9	4.9	27,702.9	13.4
Provision for tax (including deferred tax)	(7,762.6)	(7,423.8)		(6,183.4)	
Net Profit	23,649.8	22,509.1	5.1	21,519.5	9.9
<i>NP margin %</i>	21.1	20.0		20.0	
EPS	2.9	2.7	5.1	2.6	9.9

Source: PINC Research

Year Ended March (Figures in Rs mn)

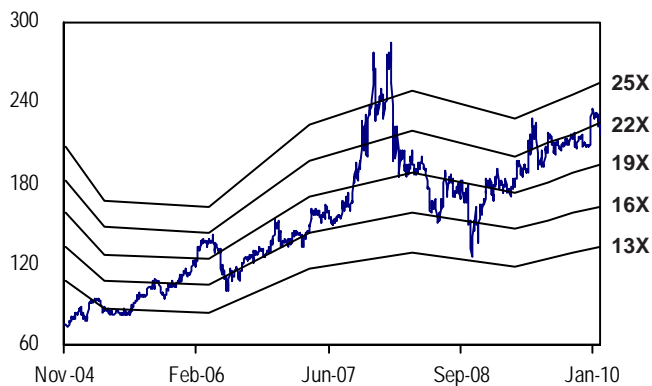
Income Statement	FY08	FY09	FY10E	FY11E	FY12E
Revenues	370,501	419,237	477,298	546,383	604,907
<i>Growth (%)</i>	<i>13.7</i>	<i>13.2</i>	<i>13.8</i>	<i>14.5</i>	<i>10.7</i>
Operating Profit	115,529	103,978	135,306	161,073	178,691
Other Income	29,067	33,490	27,332	26,251	28,223
EBIDTA	144,596	137,468	162,637	187,324	206,914
<i>Growth (%)</i>	<i>66.2</i>	<i>(4.9)</i>	<i>18.3</i>	<i>15.2</i>	<i>10.5</i>
Depreciation & Amortization	21,385	23,644	25,645	31,079	36,753
EBIT	123,211	113,824	136,993	156,245	170,160
Interest Charges (Net)	17,981	20,229	24,731	30,433	35,785
PBT (Before E/o items)	105,230	93,595	112,262	125,812	134,376
Tax provision	28,401	25,532	29,971	30,435	32,517
E/o Income / (Loss)	(2,681)	13,950	-	-	-
Net Profits	74,148	82,013	82,291	95,377	101,859
Adjusted Net Profits	74,148	82,013	82,291	95,377	101,859
<i>Growth (%)</i>	<i>8.0</i>	<i>10.6</i>	<i>0.3</i>	<i>15.9</i>	<i>6.8</i>
Basic EPS (Rs)	9.0	9.9	10.0	11.6	12.4
Diluted EPS (Rs)	9.0	9.9	10.0	11.6	12.4
<i>Growth (%)</i>	<i>8.0</i>	<i>10.6</i>	<i>0.3</i>	<i>15.9</i>	<i>6.8</i>

Cash Flow Statement	FY08	FY09E	FY10E	FY11E	FY12E
Net Profits	74,148	82,013	82,291	95,377	101,859
Depreciation	21,385	23,644	25,645	31,079	36,753
Income from inv & int. (profit)	(26,386)	(47,440)	(27,332)	(26,251)	(28,223)
Interest paid	-	-	-	-	-
Taxes	-	-	-	-	-
(Inc)/Dec in wrk. capital	(15,228)	(8,346)	(12,882)	(15,464)	(12,855)
Other operating activities	-	-	-	-	-
Cash from operations	53,919	49,871	67,722	84,741	97,534
Net capital expenditure	(82,798)	(122,174)	(108,483)	(52,940)	(12,285)
Net Investments	8,271	(36,705)	6,693	(44,789)	(109,708)
Interest & dividend recd	26,386	47,440	27,332	26,251	28,223
Cash from inv. activities	(48,141)	(111,439)	(74,458)	(71,477)	(93,770)
Equity raised/(repaid)	2,588	-	-	-	-
Debt raised/(repaid)	34,229	66,000	20,500	10,500	10,000
Dividend (incl. tax)	(33,764)	(33,764)	(33,764)	(33,764)	(33,764)
Other financing activities	(43)	-	-	-	-
Cash from fin. activities	3,010	32,236	(13,264)	(23,264)	(23,764)
Inc/(Dec.) in cash	8,788	(29,332)	(20,000)	(10,000)	(20,000)

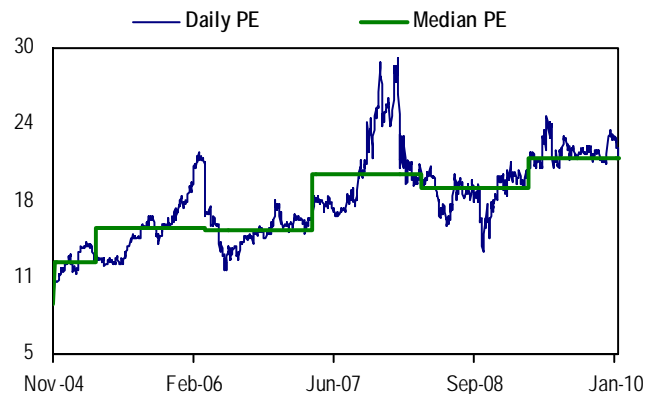
Balance Sheet	FY08	FY09E	FY10E	FY11E	FY12E
<i>Equity Share Capital</i>	82,455	82,455	82,455	82,455	82,455
<i>Reserves & Surplus</i>	446,485	494,734	543,261	604,874	672,969
Shareholders' Funds	528,940	577,189	625,716	687,329	755,424
Minorities Interest	-	-	-	-	-
Total Debt	285,640	351,640	372,140	382,640	392,640
Deferred Tax liability	1	1	1	1	1
Capital Employed	814,581	928,830	997,857	1,069,970	1,148,065
Fixed Assets	485,720	584,250	667,088	688,949	664,480
Cash & cash eq.	149,332	173,220	133,042	159,345	230,568
Net current assets	176,189	208,423	181,127	222,894	306,972
Investments	152,672	136,157	149,642	158,127	176,612
Total Assets	814,581	928,830	997,857	1,069,970	1,148,065

Key Ratios	FY08	FY09E	FY10E	FY11E	FY12E
OPM (%)	31.2	24.8	28.3	29.5	29.5
Net Margin (%)	20.0	19.6	17.2	17.5	16.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
Net Debt/Equity (x)	0.3	0.3	0.4	0.3	0.2
Net working capital (days)	26.1	30.2	36.3	41.9	45.5
ROACE (%)	11.6	8.6	11.0	12.1	12.4
ROANW (%)	14.0	14.2	13.2	13.9	13.5
EV/Sales (x)	5.5	4.9	4.3	3.7	3.4
EV/EBIDTA (x)	17.8	19.8	15.2	12.8	11.5
PER (x)	23.9	21.6	21.5	18.6	17.4
PCE (x)	18.6	16.8	16.4	14.0	12.8
Price/Book (x)	3.3	3.1	2.8	2.6	2.3

P/E Band



Median PE v/s Daily PE



T E A M**EQUITY DESK**

Gealgeo V. Alankara Head - Institutional Sales *alankara@pinc.co.in* 91-22-6618 6466

TECHNICAL ANALYST

Sadanand Raje *sadanand.raje@pinc.co.in* 91-22-6618 6366

SALES

Anil Chaurasia *anil.chaurasia@pinc.co.in* 91-22-6618 6483

Alok Doshi *adoshi@pinc.co.in* 91-22-6618 6484

Sundeep Bhat *sundeepb@pinc.co.in* 91-22-6618 6486

Gagan Borana *gagan.borana@pinc.co.in* 91-22-6618 6485

DEALING

Amar Margaje *amar.margaje@pinc.co.in* 91-22-6618 6327

Ashok Savla *ashok.savla@pinc.co.in* 91-22-6618 6400

Raju Bhavsar *rajub@pinc.co.in* 91-22-6618 6301

Manoj Parmar *manojp@pinc.co.in* 91-22-6618 6326

Hasmukh D. Prajapati *hasmukhp@pinc.co.in* 91-22-6618 6325

Pratiksha Shah *pratikshas@pinc.co.in* 91-22-6618 6329

DIRECTORS

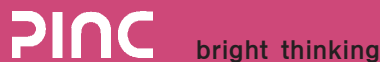
Gaurang Gandhi *gaurangg@pinc.co.in* 91-22-6618 6400

Hemang Gandhi *hemangg@pinc.co.in* 91-22-6618 6400

Ketan Gandhi *ketang@pinc.co.in* 91-22-6618 6400

COMPLIANCE

Rakesh Bhatia Head Compliance *rakeshb@pinc.co.in* 91-22-6618 6400



Infinity.com

Financial Securities Ltd

SMALL WORLD, INFINITE OPPORTUNITIES

Member : Bombay Stock Exchange & National Stock Exchange of India Ltd. : Sebi Reg No: INB 010989331. Clearing No : 211
1216, Maker Chambers V, Nariman Point, Mumbai - 400 021; Tel.: 91-22-66186633/6400 Fax : 91-22-22049195

Disclaimer: This document has been prepared by the Research Desk of M/s Infinity.com Financial Securities Ltd. (PINC) and is meant for use of the recipient only and is not for public circulation. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors

The information contained herein is obtained and collated from sources believed reliable and PINC has not independently verified all the information given in this document. Accordingly, no representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document.

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The opinion expressed or estimates made are as per the best judgement as applicable at that point of time and PINC reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval

PINC, its affiliates, their directors, employees and their dependant family members may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document

This report has been prepared on the basis of information, which is already available in publicly accessible media or developed through analysis of PINC. The views expressed are those of analyst and the PINC may or may not subscribe to all the views expressed therein

This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. Neither this document nor any copy of it may be taken or transmitted into the United State (to U.S.Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions

Neither PINC, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information.

Copyright in this document vests exclusively with PINC and this document is not to be reported or circulated or copied or made available to others.

Our reports are also available on Reuters, Thomson Publishers and Bloomberg PINV <GO>