Power
India

Indian Power

A muted quarter

Indian Power: Summary of stocks under coverage

BBG Code	Company	Rating	CMP (INR)	TP (INR)	Potl Return %	PE (FY13)	PB (FY13)
PWGR IN	Powergrid	OW	99	130	32.9%	13.1	1.8
TPWR IN	Tata Power	N(V)	99	118	20.8%	9.5	1.3
NTPC IN	NTPC	N	174	194	14.0%	14.1	1.8
BHEL IN	BHEL	UW(V)	334	318	-2.6%	12.2	2.8
PTCIN IN	PTC	OW	71	128	82.9%	7.8	0.8
CESC IN	CESC	OW	269	475	79.4%	4.9	0.6

Source: HSBC estimates, Prices as at close of 13 October 2011.

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HSBC Global Research

- **Fuel supply and demand pressures to hurt operating margins in 2Q**
- **Capex on transmission on track, but long-term generation capex slowing**
- **Bank lending squeeze to cut both ways. Our top picks: Powergrid (among large-caps) and PTC (among mid-caps)**

Generation projects facing fuel crunch and demand pressure. Companies under our coverage are expected to show c10% lower plant load factor (PLF) than last year, resulting in flat generation. We expect Powergrid and PTC to report above-consensus numbers (by 4% and 15%, respectively), while at the sector level, our net profit estimates are 5% below consensus due to our expectation of low PLF (see exhibit 1). In our view, fuel and demand pressures are likely to continue for some time. Nationwide thermal generation was 159BU in 2QFY12, up 5% y-o-y despite 12% y-o-y capacity addition. That said, the weakness is unlikely to affect Power Grid's capex or PTC's volumes.

Capacity additions and capex. While generation capacity is expected to increase by 5.6GW in 2Q, we have not seen any new private sector power equipment orders placed; hence, we see a slowdown in generation capex in the long term. Due to the lag effect, it would not affect transmission capex which is inadequate. We thus expect Power Grid to continue to incur capex over the next 3-5 years, driving its growth.

Consumer tariff revisions in 14 states over the past six months are positive, but more needs to be done as we expect the long-term power purchase costs of states to increase significantly in the next few years as prices discovered under Case I bidding continue to go up.

Credit squeeze on State Electricity Boards (SEBs) will cut both ways. On the one hand, it may lead to delays in payments by SEBs to utility companies and lower power off-take. On the other, the financial health of SEBs should improve.

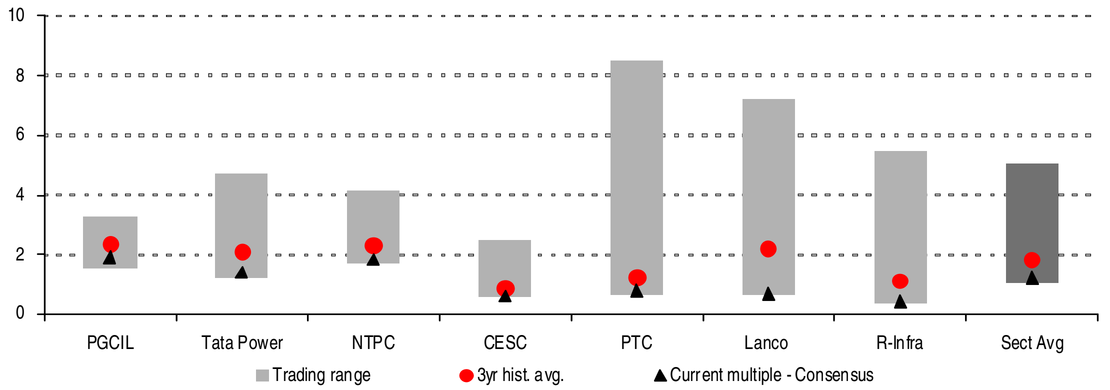
Valuation of utility stocks is attractive, trading at a PB range of 0.7-2.0x on 12-month fwd earnings, which is 30-35% below the three-year historical mean (exhibit 2-3). We expect investors to begin accumulating the power stocks with strong results: namely Power Grid (OW) among large-caps, and PTC and CESC (both rated OW) among mid-caps.

Exhibit 1: Indian Utilities: Earnings projections summary for 2Q FY12 (INRm)

Company	Earnings date	Revenue	% y-o-y	EBITDA	% y-o-y	Net profit	% y-o-y	Net profit - var to Consensus %
Power Grid	22-Oct-11	23,299	10%	19,623	10%	7,518	15%	4%
Tata Power	TBA	58,019	21%	13,811	21%	4,775	5%	-14%
NTPC	25-Oct-11	138,687	4%	33,661	0%	18,923	7%	-7%
CESC	TBA	12,100	10%	2,697	-15%	1,160	-25%	-8%
PTC	TBA	30,757	25%	590	82%	530	55%	15%
Lanco Infratech	TBA	21,751	7%	6,074	46%	1,242	76%	nm
Reliance Infrastructure	TBA	50,076	24%	5,964	-3%	3,985	11%	nm
Total		**334,689**	**12%**	**82,419**	**7%**	**38,134**	**9%**	**-5%**
BHEL	TBA	96,078	15%	17,390	18%	13,096	15%	3%

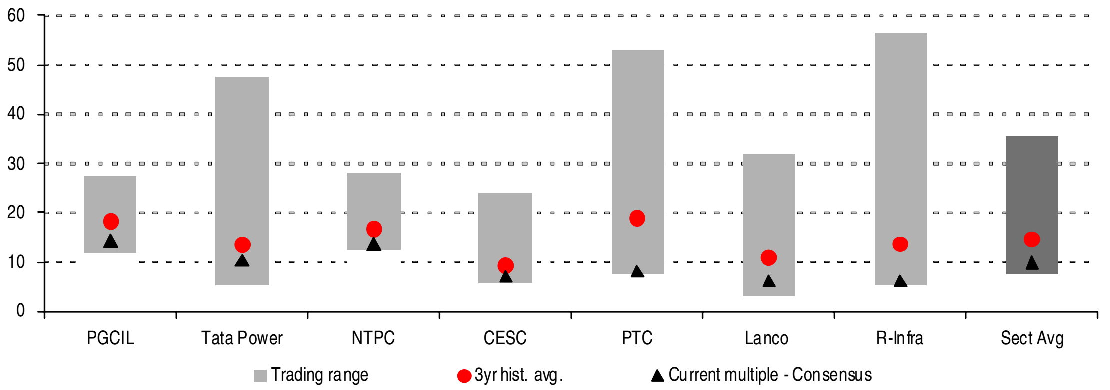
Source: HSBC estimates, consensus from Bloomberg, TBA= To be announced

Exhibit 2: PB range candle chart - stocks trading well below historical range



Source: Thomson Reuters Datastream, Pricing as at close of 13 October 2011

Exhibit 3 PE range candle chart - stocks trading well below historical range



Source: Thomson Reuters Datastream, Pricing as at close of 13 October 2011

Exhibit 4: Summary of review of tariff orders issued over the last 1-2 years

State	Last tariff / proposed hike %	Comment
Andhra Pradesh	3-4%	▸ Regulator has raised tariff suo-motu without a proposal by power distribution companies (discoms) to bridge revenue gap for FY12 ▸ Still a revenue gap of INR41bn in FY12; government has agreed to payout a subsidy to cover the amount. ▸ Current aggregate technical and commercial loss level at the 3 discoms are at c16%; discoms are being paid a subsidy every quarter
Assam	5.0%	▸ Regulator has regularly issued tariff orders in last ten years, approves marginal tariff hike of 25 paise per unit in FY12 ▸ Marginal revenue gap remains in FY11-12 after proposed hike, which is expected to be offset through operational efficiencies
Bihar	19.0%	▸ Regulator has issued tariff order with a significant 19% tariff hike after a gap of five years ▸ Regulator has created a regulatory asset for the revenue gap (INR2.5bn for FY12), to be recovered from consumers later ▸ Premium tariff as well as time-of-day tariff introduced, similar to other states
Chhattisgarh	14.0%	▸ Regulator has approved an average 14% increase in tariff for FY12, a double digit increase post the FY10 order ▸ Regulator has created a regulatory asset for the revenue gap (INR3.4bn for FY12) to be recovered from consumers later ▸ Regulator has retained time-of-day tariff for high tension and extra-high-tension consumers, also asked to submit a proposal for charging even low-tension consumers
Delhi	22.0%	▸ No major tariff hike in last 3-4 years ▸ All the four Discoms have indicated huge revenue tariff hike (c40-84%) required to meet the revenue gap - **Regulator has allowed 22% increase**
Gujarat	0.0%	▸ No tariff hike in FY11; 25 paise increase in tariff proposed for FY12 by discoms, representing a 5.3% increase; **regulator has not allowed any tariff increases**. ▸ Regulator silent about the revenue gap of INR12.2bn in FY11. But discoms have proposed the creation of a regulatory asset for the INR8.2bn revenue gap in FY12
Haryana	0.4%	▸ Negligible increase in tariff in FY12 (0.4%) resulting in a huge revenue gap of INR10bn despite subsidy of INR34bn booked. ▸ Regulator allows discoms to borrow money to fund revenue gap and claim interest on the same as pass-through to consumers
Himachal Pradesh	9.7%	▸ **Regulator has allowed tariff hike of c9.7% on average for FY12**
Jammu & Kashmir	17.4%	▸ Annual revenue requirement for FY12 filed with proposal of a significant 41% increase in tariff for FY12. **Regulator has allowed 17.4% increase.** ▸ Despite this, there is a huge revenue gap of INR24bn in FY12 (INR25bn in FY11); expect financial support from government ▸ Proposal for introduction of time-of-day tariff to manage demand and improve load factor similar to other states
Jharkhand	18.5%	▸ JSEB has proposed a significant tariff hike of 51% in FY12 across all categories of consumers ▸ A revenue gap of INR7.0bn still exists; accumulated revenue gap of INR91bn is proposed to be treated as a regulatory asset to be recovered in the next five years ▸ Regulator has announced an average hike of 18.5% effective 1 August 2011
Karnataka	16.7% (proposed by discom)	▸ Discom has proposed an increase of 88 paise for all except agricultural & BPL consumers, representing 16.7% increase for FY12 ▸ Regulator had approved 25-35pasie tariff hike in FY11 against proposal of 75paise for all except agricultural and below poverty line consumers ▸ Huge revenue gap of INR18bn persists, despite government's INR24bn subsidy for FY11
Madhya Pradesh	6.0%	▸ Regulator has approved an average 6% hike in tariff across all categories of consumers ▸ No revenue gap, unlike others states, exists post tariff hike
Maharashtra	3.0%	▸ Regulator has approved an average 3% hike in tariff across various categories of consumers ▸ No revenue gap, unlike others states, exists post tariff hike
Punjab	9.2$	▸ **Regulator has allowed tariff hike of c9.2% on average for FY12**
Rajasthan	23.0%	▸ Discoms has proposed for an average 24% increase in tariff in FY12 since the last revision in 2005. **Regulator has allowed 23% increase** ▸ Additional revenue gap of INR62bn exists for FY12 which the discoms expect to be taken up at the time of true-up [a process of approving the actual expenditure by the regulator]
Tamil Nadu	9.0%	▸ No annual revenue requirement filed since FY11; prior to this, only one order was issued in 2003, since Tamil Nadu Electricity Board never applied to the regulator for a tariff revision ▸ Regulator has created a large regulated asset of INR168bn to bridge accumulated shortfall up to FY10 ▸ Regulator expects the regulated asset to increase in the next two years, as the revenue gap continues (estimated at INR175bn in FY11-13) and can be addressed only in the long term
Uttar Pradesh	13.0%	▸ No annual revenue requirement filed since FY10, unlike the other states; last tariff revision was significant (c13% in FY10) ▸ Still a revenue gap of INR2.5bn, which was expected to be met by a government subsidy or bank loan ▸ Revenue gap could be much higher at present; historical data shows cash loss of INR184bn over FY06-09, highest in India
West Bengal	>15%	▸ Significant tariff hike in FY11; a more than 15% increase across all categories ▸ Regulatory asset of INR15.7bn yet to be recovered through tariff hike

Source: Respective state tariff orders, HSBC comments

Note: We note that Kerala has imposed a 25 pasie fuel surcharge for a period of six months from 1 August 2011.

HSBC

Exhibit 5: Summary of sector wise capacity addition and generation in 2QFY12 at all India level

	2QFY11	2QFY12	% yoy
Capacity (MW)			
Central	38,622	43,407	12%
State	49,883	51,838	4%
IPP	13,351	19,039	43%
Private	3,865	3,865	0%
Total - Thermal	**105,721**	**118,149**	**12%**
Generation (MU)			
Central	64,622	65,008	1%
State	60,492	64,039	6%
IPP	19,318	23,672	23%
Private	6,801	6,414	-6%
Total - Thermal	**151,234**	**159,133**	**5%**
PLF % - coal based plants			**bp decline**
Central	79.86	75.77	-409
State	56.96	58.08	112
IPP	74.06	66.05	-801
Private	78.65	74.45	-420
Total – Coal based	**67.59**	**65.99**	**-160**

Source: CEA

Exhibit 6: Indian Utilities valuation sheet

Company	Ticker	CMP	TP	Rating	Mcap	PE			Net profit CAGR	PB		
		LC	LC		(USDm)	FY11	FY12e	FY13e	FY12-13e	FY11	FY12e	FY13e
Coverage Universe												
Power Grid	PWGR IN	99	130	OW	8,511	16.7	15.1	13.1	16%	2.1	2.0	1.8
Tata Power	TPWR IN	99	118	N(V)	4,772	13.4	11.4	9.5	21%	1.8	1.5	1.3
PTC India	PTCIN IN	71	128	OW	424	12.6	11.0	7.8	27%	0.9	0.8	0.8
CESC	CESC IN	269	475	OW	684	11.1	9.5	4.9	51%	0.7	0.7	0.6
NTPC	NTPC IN	174	194	N	29,119	16.0	15.5	14.1	6%	2.1	1.9	1.8
Average - weighted						**15.1**	**14.2**	**12.6**	**12%**	**1.9**	**1.8**	**1.6**
Average - aggregated						**14.3**	**12.9**	**11.1**	**13%**	**1.7**	**1.6**	**1.4**
Other Competitors												
Adani Power	ADANI IN	84	NA	NR	3,739	10.4	7.3	6.1	82%	2.3	1.8	1.4
JPVL	JPVL IN	35	NA	NR	1,507	21.3	12.2	6.1	na	1.6	1.3	1.1
NHPC	NHPC IN	23	NA	NR	5,880	14.4	11.9	11.3	3%	1.1	1.0	1.0
Reliance Power	RPWR IN	84	NA	NR	4,854	31.9	15.6	9.7	46%	1.3	1.2	1.0
JSW Energy	JSW IN	50	NA	NR	1,680	8.3	8.2	9.2	2%	1.3	1.1	1.1
KSK Energy	KSK IN	102	NA	NR	775	8.6	9.7	na	na	1.1	1.2	na
Total Avg - weighted						**15.9**	**13.5**	**11.7**	**17%**	**1.8**	**1.6**	**1.5**
Total Avg - aggregated						**14.2**	**12.1**	**10.0**	**19%**	**1.6**	**1.5**	**1.3**

Source: HSBC estimates, Reuters for non-rated stock. Pricing as at close of 13 October 2011.

BHEL

- Better execution and stable margins to drive net profit growth in 2Q, while orders inflow to remain muted
- Long-term outlook remains weak, as order inflows stagnate and margins decline, resulting in negative EPS growth in FY13-14e
- Remain Underweight (V) with target price of INR318 as a result of stock split

2Q preview – better relative to 1Q

We expect BHEL to report net profit growth of 15% y-o-y to INR13.0bn driven by:

- 15% growth in revenue backed by its order book of cINR1.6 trillion
- Marginal improvement in EBITDA margins by 45bp to 18%

Importantly we expect BHEL's order inflow to improve in this quarter after a significant decline in 1Q to INR150bn, up 11% y-o-y aided by yet to be finalised NTPC bulk order for 4x800MW boilers (cINR51bn as per our calculation).

Long-term outlook is weak

We have a negative view on the stock as we expect a reversal of order growth from a 26% CAGR over the past 5 years to a -3.5% CAGR over the next 3 years, due to a slowdown in new coal-fired power projects resulting in industry-wide decline in order inflows.

In addition, we expect a 180bp margin decline between FY11 and FY14, as the order mix shifts towards imported supercritical equipment (c3% in FY11 to 34% by FY14) resulting in **negative EPS growth (-1%)** in FY13-14 vs a c29% CAGR over the past 5 years.

Investor focus on order inflow outlook

Investors will focus on outlook for order inflow in FY12, both for the power and industry segments. The company is likely to lower its order flow guidance to zero growth from 10%, given the coal scenario in India. We have assumed a 10% decline in order inflow to INR543bn for FY12. Even this seems challenging as the company has

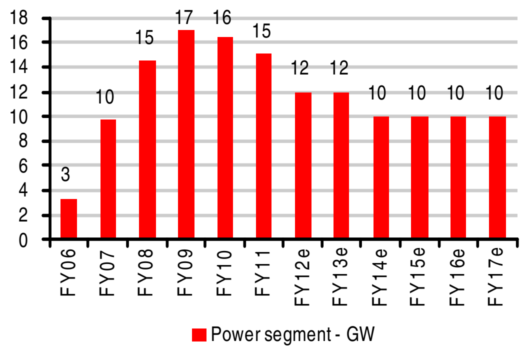
Exhibit 7: BHEL standalone quarterly earnings summary

INRm	2QFY12e	yoy%	1QFY11	2QFY11	3QFY11	4QFY11	1QFY12
Order book	1,645,772	7%	1,480,000	1,540,000	1,580,000	1,641,300	1,596,000
Order inflow	150,000	11%	109,612	135,060	122,000	247,534	24,710
Revenue (net)	96,078	15%	64,797	83,284	88,493	179,214	71,257
EBITDA	17,390	18%	8,437	14,702	18,977	38,345	9,675
Margin %	18.1%	45 bp	13.0%	17.7%	21.4%	21.4%	13.6%
PBT	18,980	15%	9,978	16,544	20,655	42,881	11,822
Net profit (adjusted)	13,096	15%	6,677	11,423	14,032	27,204	8,155

Source: HSBC estimates, Company data

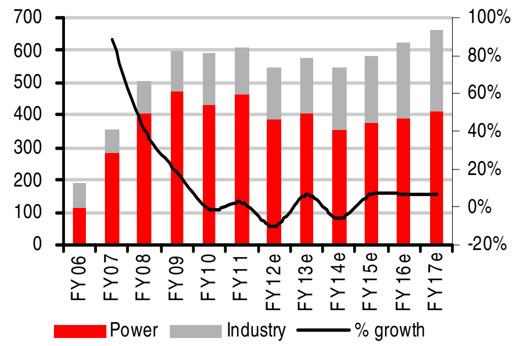
HSBC

Exhibit 8: Order inflow in power segment to decline



Source: Company data, HSBC estimates

Exhibit 8A: BHEL order inflow (INRbn) to decline in FY12-14



Source: Company data, HSBC estimates

only managed to book orders worth INR175bn in 1H, 32% of our full-year forecast.

Investors will also be watching:

- Projects expected to be commissioned in FY12 (9.4GW commissioned in FY11) given the capacity expansion to 20GW from 15GW by end March 2012
- Guidance on likely pricing for the FPO.

Retain Underweight (V) rating and TP of INR318 (result of stock split)

We use an Economic Value Added approach to value BHEL, assuming a WACC of 11% (using a cost of debt of 9.0%, cost of equity of 11.5% and beta of 0.9). We assume target sales growth of 6%, operating return of 17% and target asset return of 1.75x, which yields a target price of INR318 (post stock split), implying a potential return of -2.6% (including dividend yield).

Our target price implies a PE of 11.6x on FY13e EPS versus the current PE of 12.1x on FY12e EPS. See Exhibit 9 for our BHEL valuation summary.

Under our research model, for stocks with a volatility indicator, the Neutral band is 10 percentage points above and below the hurdle rate for Indian stocks of 11%. For BHEL, this translates into a Neutral band of 1-21% above the current share price. Our target price of INR318 implies a potential return of -2.6%, which is below the Neutral band; thus, we retain our Underweight (V) rating on the stock. We add the volatility flag in recognition of the stock's historical volatility having increased.

Upside risks

Upside risks are: higher-than-expected order inflow intake resulting in better-than-expected execution; and higher-than-expected margins from a faster-than-expected shift to supercritical technology.

Exhibit 9: BHEL valuation summary

Key assumptions	
Target sales growth	6.0%
Target OR margin	17.0%
Target asset turn	1.8
Tax rate	31%
WACC	11.0%
CAP	7.5
Value of current op (INRm)	
Trend Sales	501,538
Trend CE	305,897
CE growth	3.4%
RoIC	29.8%
Trend OR	91,004
Value of current op	565,549
Value of future inv (INRm)	
Incremental return	5,116
Incremental cost	1,156
EVA	2,348
Value of future inv	143,914
Total fair value, FY13e (INRm)	
EV	709,462
EV – 12M fwd	787,669
Net debt	(152,389)
Customer advances	165,875
Minorities	0
Investments/Associates	(4,492)
Implied market cap	778,675
12M fwd target price (INR)	**318**

Source: HSBC estimates

HSBC

Power Grid

- Capex and capacity addition going strong, 2Q net profit expected to grow 15% y-o-y
- Best placed in the sector with limited operational risks unlike peers; earnings outlook is strong on the back of capacity expansion
- Reiterate Overweight rating with a target price of INR130

2Q preview – expect good numbers

We expect Power Grid to report net profit of INR7.5bn (up 15% y-o-y) on the back of increased capacity addition (INR75bn in FY11) and additional income from the JV amounting to INR410m relating to 1QFY12.

We expect the firm to incur capex of INR35-40bn in 2QFY12 (INR135bn for FY12e), and capacity additions of INR20bn (INR100bn in FY12).

Strong outlook, limited operational risks unlike its peers

Regulated equity base is expected to more than double over next three years from INR129bn in FY11 to INR273bn in FY15. It has cINR265bn of capital work in progress (largely capex from FY10-FY11) to be translated into assets over the next two to three years, providing more visibility in the growth in the regulated equity base. This drives our expectation that net profit will grow at a 15.5% CAGR over FY12-14 from a high base of FY11. We do not see any significant downside risks to these earnings estimates, given the assured return model (15.5% post-tax ROE) once the asset is operational.

Operational risks are limited compared to a power plant. There is no fuel cost risk, with its major costs being those for employees and maintenance, which are largely fixed in nature and not volatile.

Investor focus on capex and capacity addition

PGCIL is expected to complete its eleventh five-year plan ending FY12 with total capex of INR520bn (versus a target of INR550bn). This represents a significant c177% increase over the last plan period.

We do not expect any slowdown in capex post the plan period (contrary to market fears). We forecast PGCIL will incur capex of INR276bn and

Exhibit 10: Power Grid standalone quarterly earnings summary

INRm	2Q12e	yoy%	1Q11	2Q11	3Q11	4Q11	1Q12
Revenue	23,299	10%	19,991	21,266	20,521	22,108	22,025
EBITDA	19,623	10%	16,811	17,858	17,274	18,570	18,455
Margin %	84.2%	25bp	84.1%	84.0%	84.2%	84.0%	83.8%
Net profit (adjusted)	7,518	15%	7,020	6,549	5,959	7,485	7,065

Source: HSBC estimates, Company data

capacity addition of INR240bn in FY13-14 similar to FY12. This would be driven by about INR430bn of projects under construction and INR580bn worth of ordering for high capacity power transmission corridors (HCPTC) projects expected to start in 2HFY12.

Still, we remain conservative, factoring capex of INR800bn for the twelfth plan period (FY13-17) against the company's guidance of INR1,100-1,200bn.

Reiterate Overweight rating with a TP of INR130

We use DCF to value Power Grid and apply a cost of equity of 10.3% and terminal growth rate of 3% to derive our target price of INR130 per share. Our target price of INR130 implies a potential return of 32.9% (including dividend yield), which is above the Neutral band for non-volatile Indian stocks of 6-16%; thus, we have an Overweight rating on the stock.

Our target price implies an FY13e PB of 2.3x versus the current FY12e PB of 2.0x, and an FY13e PE of 17.2x versus the current FY12e PE of 15.1x.

Risks

Key downside risks include longer-than-expected delays in commissioning of projects. Other risks include a potential default by SEB and a reduction in regulated returns, although both look highly improbable in the immediate future.

Exhibit 11: PGCIL: Valuation summary

Particulars	INRm	INR/Share
Equity value - Core	550,937	119
Add: Cash & bank	40,256	9
Add: Investments	11,032	2
Equity value - Total	**602,225**	**130**

Source: HSBC estimates

Exhibit 12: Summary of high-capacity transmission systems to be built for various independent power producers by PGCIL

Project	Capacity (MW)	LTOA (MW) - Total	Project Cost (INRbn)
Transmission system associated with Phase - I generation projects in Orissa	10,090	6,080	87,520
Transmission system associated with IPP projects in Jharkhand	4,540	4,084	57,090
Transmission system associated with IPP projects in Sikkim	2,358	2,358	13,040
Transmission system associated with IPP projects in Bilaspur complex, Chhattisgarh and IPPs in Madhya Pradesh	4,370	4,160	12,430
Transmission system associated with IPP projects in Chhattisgarh	15,485	15,185	288,240
Transmission system associated with IPP projects in Krishnapatnam area, AP	4,600	3,072	20,650
Transmission system associated with IPP projects in Tuticorin area, Tamil Nadu	2,600	2,045	23,570
Transmission system associated with IPP projects in Srikakulam area, AP	3,960	3,760	29,860
Transmission system associated with IPP projects in southern region for transfer of power to other regions	11,526	9,182	48,210
Total	**59,529**	**49,926**	**580,610**

Source: Company data

Exhibit 12A: PGCIL: some of the large expansion projects under construction

Project	Nature of the project	Target COD	Project cost (INRm)	Total cost incurred as at Sep 2010	% spent
Transmission System for development of pooling station in Northern Part of West Bengal and transfer of power from Bhutan to Northern Region / Western Region	Generation-linked	January, 2015	44,046	0	0%
North East / Northern Western Interconnector – I Project	Generation-linked	August, 2013	111,302	14,355	13%
Northern Region System Strengthening – XXI	Grid-Strengthening	April, 2013	16,776	11	0%
Transmission System associated with Sasan UMPP	Generation-linked	December, 2012	58,850	13,283	23%
Transmission System associated with Pallatana and Bongaigaon power station	Generation-linked	December, 2012	21,440	853	4%
Transmission System associated with Vindhyachal – IV and Rihand – III Projects	Generation-linked	November, 2012	46,730	120	0%
Eastern Region Scheme – III Strengthening	Grid-strengthening	November, 2012	12,728	318	2%
Transmission System associated with Mundra UMPP	Generation-linked	October, 2012	46,820	9,208	20%
Common Scheme for 765 kV Pooling Station with DVC and Maithon RB Project	Generation-linked	August, 2012	70,753	25,018	35%
Supplementary Transmission System associated with DVC and Maithon Project	Generation-linked	August, 2012	23,610	12,991	55%
System Strengthening in Northern Region for Sasan and Mundra UMPPs	Grid strengthening	August, 2012	10,850	1,101	10%
765 kV System for Central Part of Northern Grid – PART – III	Grid-strengthening	May, 2012	10,751	1,142	11%
Transmission System associated with Kundankulam – Atomic Power Project	Generation-linked	March, 2012	21,591	16,140	75%
Transmission System associated with Kaiga 3 and 4	Generation-linked	March, 2012	10,072	7,603	75%
765 kV System for Central Part of Northern Grid – PART – I	Grid-strengthening	February, 2012	13,473	4,468	33%
765 kV System for Central Part of Northern Grid – PART – II	Grid-strengthening	January, 2012	17,364	1,509	9%
Western Region Strengthening Scheme – II	Grid-strengthening	March, 2011	35,690	26,465	74%
Strengthening of East-West Transmission corridor	Grid-strengthening	Dec, 2010	7,409	6,207	84%
Western Region Strengthening Scheme – IX	Grid-strengthening	March, 2011	1,410	522	37%
Southern Region Strengthening Scheme – X	Grid-strengthening	April, 2012	2,240	317	14%
Western Region Strengthening Scheme – X	Grid-strengthening	Feb, 2012	7,130	688	10%
Northern Region Strengthening Scheme – XIII	Grid-strengthening	Nov, 2011	3,240	173	5%
Transmission System associated with Korba III generation project	Generation-linked	March, 2011	2,763	1,581	57%
Transmission System associated for Parbati III Hydro project	Generation-linked	Jun, 2011	6,163	4,019	65%
Transmission System associated for Mouda generation project	Generation-linked	Oct, 2012	2,800	99	4%
Sub Total			**605,999**	**148,190**	**24%**
Others			211,513	87,825	42%
Add: Capex incurred in 2HFY11 (Oct 2010-March 2011)				83,175	
Add: Capex incurred in 1HFY12 (April 2011- Sep 2011)				68,000	
Grand Total			**817,512**	**384,190**	**47%**
Balance capex to be incurred			**430,322**		

Source: Company data, HSBC capex estimates for 1HFY12

HSBC

NTPC

- Another moderate quarter as plant load factor declines due to low coal availability and demand in 2Q
- Limited growth drivers and operational risks in the medium term to keep the stock range-bound
- Remain Neutral with a target price of INR194

2Q preview – another moderate quarter

Generation should remain flat y-o-y at 52.3bn units in 2Q (1QFY12 was 54.6bn units) despite capacity additions of 2.7GW or 9% y-o-y growth in FY11.

We expect a lower plant load factor (PLF) for its coal-based plants at 78.4% (down 444bp y-o-y) due to increasing fuel pressure and lower demand during the quarter.

Net profit is expected to grow 7% y-o-y to INR18.9bn in 2Q on a low base of comparison, while revenue growth should be muted and EBITDA flat. NTPC has grossed up revenue at a minimum alternate tax (MAT) rate for 1Q-3Q FY11, which was reversed in 4Q FY11.

Limited growth drivers, operational risks to remain an overhang

With moderate capacity additions over the next 3-5 years and a high base, we see limited growth for NTPC. We expect the company to continue to miss its capacity addition targets in FY12 and beyond, and forecast installed capacity will reach 56GW by FY17 from 34GW in FY11 (growing at a CAGR of 8%) against company guidance of 66.5GW (up at a CAGR of 11%). See Exhibit 16 for details of capacity likely to be added over FY12-16.

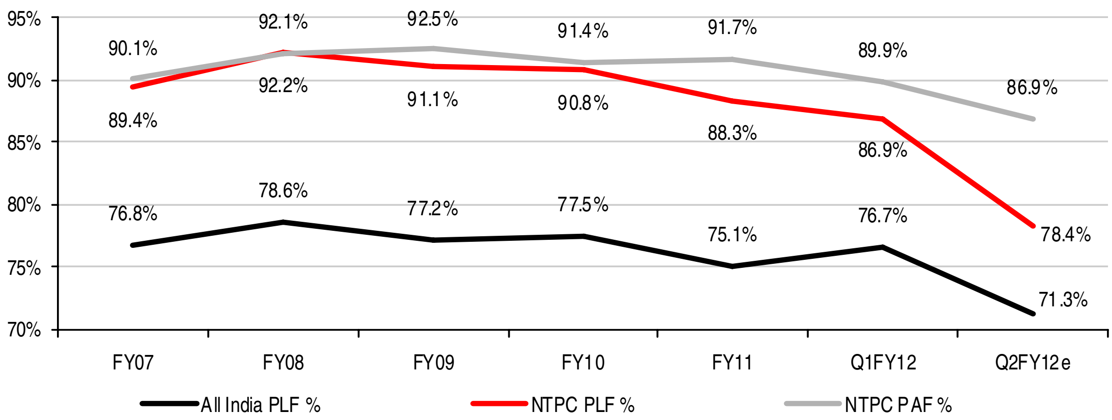
We believe the stock will continue to remain range-bound given its moderate EPS growth potential (a 6% CAGR over FY12-13e) on high comparative base. In addition, we see downside risk due to lower operational efficiency (both due to fuel pressure and lower demand from State

Exhibit 13: NTPC's standalone quarterly earnings summary

INRm	Q2FY12e	yoy%	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12
Capacity	31,562	9%	28,840	28,840	29,330	31,490	31,490
Generation (MU)	52,275	0%	55,711	52,220	54,736	57,873	54,600
PLF % - Coal based	**78.4**	**-444bps**	**89.5**	**82.8**	**87.1**	**93.7**	**86.8**
Sales	138,687	4%	133,026	133,505	137,288	159,795	145,242
EBITDA	33,661	0%	33,448	33,713	40,653	42,793	32,190
PBT	24,261	-4%	23,532	25,283	31,756	32,568	28,472
Net profit (adjusted)	18,923	7%	18,419	17,719	22,140	27,818	20,758
Net profit (reported)			18,419	21,074	23,715	27,818	20,758

Source: HSBC estimates, Company data

Exhibit 14: NTPC's PLF and PAF is expected to decline (data for coal-based power plants)



Source: Company data, HSBC estimates for Q2FY12

Distribution Companies), which we have factored in only to the extent there is clarity but things can deteriorate further, at least in the interim. Our analysis suggests every 100bp decline in average PLF for NTPC would translate to a c3% decline in net profit and a similar decline in our target price.

Investors focusing on generation and capacity addition

Investors will be watching for signs that the generation outlook is continuing to weaken given low fuel availability.

They will also be looking for progress on its capacity addition target of 4.3GW for FY12 (1.3GW added in 1H) as well as future capacity additions (14.7GW under construction).

Lastly, we believe the market will also be watching for the applicability of MAT in FY12 and thereafter.

Remain Neutral rating with a target price of INR194

We use DCF to value NTPC and apply a WACC of 10.3% (assuming a cost of debt of 8.7%, cost of equity of 10.9%, beta of 0.9, and terminal growth of 4%) to derive our target price of INR194 per share, implying a potential return of 14.0% (including dividend yield), which is within the Neutral band for non-volatile Indian stocks of 6-16%; hence, we remain Neutral on the stock.

Our target price of INR194 implies an FY13e PB of 2.0x versus the current FY12e PB of 1.9x, and an FY13e PE of 15.7x versus the current FY12e PE of 15.5x.

Risks

Key upside risks are faster-than-expected execution of projects under construction and upside from profits from captive coal mines. **Downside risk** includes non-availability of fuel impacting its operations and efficiency gains.

Exhibit 15: NTPC Summary of valuation

Particulars	INRm	INR/Share
Enterprise value	1,969,335	239
Less: Gross debt	631,448	77
Add: Cash & bank	181,784	22
Add: Investments	84,746	10
Less: Minorities	2,790	0
Equity value	**1,601,626**	**194**

Source: HSBC estimates

HSBC

Exhibit 16: NTPC: Capacity under construction/implementation with likely commissioning schedule over FY12-16e

Project name	State	Ownership %	Capacity (MW)	Type of fuel	FY12e	FY13e	FY14e	FY15e	FY16e
Parent									
Sipat - I	Chh	100%	1,980	Coal	1,320	660	0	0	0
Barh - I	Bih	100%	1,980	Coal	0	0	660	1,320	0
Barh - II	Bih	100%	1,320	Coal	0	660	660	0	0
Simhadri - II	AP	100%	500	Coal	500	0	0	0	0
Bongaigaon	Ass	100%	750	Coal	0	250	500	0	0
Mauda	Mah	100%	1,000	Coal	0	500	500	0	0
Rihand - III	UP	100%	1,000	Coal	0	500	500	0	0
Vindhyachal - IV	MP	100%	1,000	Coal	0	500	500	0	0
Koldam	HP	100%	800	Hydro	0	400	400	0	0
Tapovan Vishnugad	Utt	100%	520	Hydro	0	260	260	0	0
Singrauli III	UP	100%	500	Coal	0	0	0	500	0
Solapur	Mah	100%	1,320	Coal	0	0	660	660	0
Mauda II	Mah	100%	1,320	Coal	0	0	660	660	0
Rupsiyabagar Khasiabara	Utt	100%	261	Hydro	0	0	0	261	0
Sub total			**14,251**		**1,820**	**3,730**	**5,300**	**3,401**	**0**
Joint Ventures									
Indira Gandhi STPP	Har	50%	1,000	Coal	1,000	0	0	0	0
Vallur - Phase I (JV with TNEB)	TN	50%	1,000	Coal	1,000	0	0	0	0
Vallur - Phase II (JV with TNEB)	TN	50%	500	Coal	0	0	500	0	0
Nabinagar (JV with Railways)	Bih	74%	1,000	Coal	0	250	500	250	0
Muzaffarpur - II (JV with BSEB)	Bih	51%	390	Coal	0	390	0	0	0
New Nabinagar	Bih	50%	1,980	Coal	0	0	0	1,320	660
Meja Urja Project	UP	50%	1,320	Coal	0	0	0	660	660
Lata Tapovan	Utt	100%	171	Hydro	0	0	0	0	171
Rammam-III	WB	100%	120	Hydro	0	0	0	0	120
Sub total			**7,481**		**2,000**	**640**	**1,000**	**2,230**	**1,611**
Grand Total			**21,732**		**3,820**	**4,370**	**6,300**	**5,631**	**1,611**
Company guidance					*4,320*	*5,620*	*na*	*na*	*na*

Source: HSBC estimates

Tata Power

- Coal business to continue to drive growth in 2Q, while performance in the power segment to remain modest due low plant load factor
- Mundra to remain an overhang; stock to be range-bound though some relief on tariffs could act as a positive catalyst
- Maintain Neutral (V) rating with a target price of INR118 as a result of stock split

2Q preview – decent quarter driven by strong coal business

We expect revenue growth of 21% y-o-y for 2Q, on the back of robust revenue growth in the coal business (up 27% y-o-y for the period) while revenue from the power business should be driven by higher fuel costs with partial pass-through and no significant capacity additions coming on stream. We expect the Maithon power project will only start contributing from 3Q FY12.

We expect realizations in the coal business to increase by 29% y-o-y to USD95/ton in 2Q (versus USD74/ton a year ago), while production is expected to be up by a modest 5% y-o-y. This should result in EBIT growth of 66% y-o-y for the coal business in 2Q. EBIT for the power business is expected to grow by a modest 6% y-o-y. Accordingly, we expect overall profit before tax for the company to grow 13% y-o-y to INR8.9bn.

We expect a higher effective tax rate at 40% versus last year's 35%, on account of a larger contribution from the coal business as well as deferred tax on wind assets. This is expected result in moderate net profit growth of 2% y-o-y to INR4.8bn for 2Q.

Exhibit 17: Tata Power's consolidated quarterly earnings summary

INRm	2QFY12e	yoy %	1QFY11	2QFY11	3QFY11	4QFY11	1QFY12
Capacity (MW)	3,124	5%	2,977	2,977	2,977	3,124	3,124
Generation (MU)	3,775	2%	4,386	3,695	3,713	3,531	3,889
Coal Sales (MT)	14.4	5%	15.1	13.7	16.0	14.0	15.3
Coal Realisation (USD/t)	95	29%	63.7	73.7	75	87	94.14
Revenue	58,019	21%	51,848	48,095	44,409	49,858	58,245
- ow Power	36,755	23%	35,048	29,927	26,113	31,969	37,203
- ow Coal	18,764	27%	15,391	14,749	16,723	17,142	19,907
EBITDA	13,811	21%	11,389	11,373	10,546	11,770	14,234
EBIT	11,111	25%	9,039	8,903	8,056	9,277	11,515
- ow Power	4,981	6%	5,173	4,711	4,018	3,789	6,270
- ow Coal	6,005	66%	4,240	3,623	4,326	4,543	6,421
Net profit (Adjusted)	4,775	5%	4,681	4,555	4,414	6,650	3,702
Net profit (Reported)			3,177	6,755	4,414	5,954	4,304

Source: Company data, HSBC estimates

HSBC

Exhibit 18: Tata Power Mundra assumptions and forecast: Loss to peak in FY15 as capacity is in full swing- using CERC escalations

INRm	FY12e	FY13e	FY14e	FY15e
Capacity (MW)	800	2,400	4,000	4,000
PLF %	95%	95%	95%	95%
Volume (MU)	1,054	11,595	24,245	31,624
Tariff (INR/unit)	2.12	2.14	2.17	2.19
Fuel Cost (INR/unit)	1.78	1.78	1.78	1.78
Fixed cost (INR/unit)*	0.73	0.73	0.74	0.77
Revenue	2,233	24,870	52,601	69,323
EBITDA	208	2,530	5,750	8,022
EBIT	-91	-761	-1,132	-954
Interest	-319	-3,511	-7,347	-10,309
PAT	-410	-4,272	-8,479	-11,264

Source: HSBC estimates

Mundra to remain an overhang unless there is regulatory change

Indonesia's new coal pricing policy, which aligns all Indonesian coal sales to international markets through a benchmark index (irrespective of prior contracts), has resulted in higher input costs for the power plant at Mundra. The Mundra plant runs on imported coal but can only partially pass through any higher costs as it must maintain a competitive tariff. We expect Mundra will incur losses at least for 10 years based on the existing tariff of INR2.1-2.2 per unit (HSBC estimate using Central Electricity Regulatory Commission (CERC) escalation rates). The first unit will be commissioned by February 2012 and all five units by end FY14.

On the flip side, the new Indonesian coal pricing policy has resulted in higher profits at the company's two 30%-owned Indonesian coal mines from where the Mundra plant's coal is sourced. This partially offsets losses at the Mundra plant. See exhibit 18-19 for our assumptions and forecast for Tata Power's Mundra project and coal business.

We value Mundra plant at -INR13.9 per share and the coal mines at INR63.9 per share for a combined value of INR50 per share.

Upside risks. The main upside risk is customers accepting a tariff hike from the Mundra project. Exhibit 20 shows the sensitivity of Tata Power's consolidated EPS to potential tariff hikes by the Mundra plant.

Exhibit 19: Tata Power coal business assumptions and forecast: Profits driven by firm realisations, volume growth modest

Coal	FY11	FY12e	FY13e	FY14e	FY15e
Volume (MT)	17.6	18.5	19.4	20.4	21.4
Realisation (USD/ton)	77.2	95.0	95.0	95.0	95.0
Revenue	64,005	80,941	84,988	89,238	93,699
EBIT	16,731	25,869	27,253	28,707	30,233
PAT	8,482*	13,573	14,385	15,402	16,628

Source: Company data, HSBC estimates, *HSBC estimate

Exhibit 20: Sensitivity to Tata Power consolidated EPS and target price due to tariff hike in Mundra power project

Tariff increases by	5 paise	10 paise	15 Paise	25 paise
EPS for FY15 increases by (INR)	6.3	12.7	19.0	31.7
Target price increases by (INR)	38	75	111	182

Source: HSBC estimates

Investor focus on loss containment at Mundra and coal business outlook

Management has indicated it plans to use low-grade coal at Mundra and operate the plant at contracted capacity with the lowest allowable PLF (72-78%) to reduce its losses but this is not likely to happen for another 1-2 years.

On the parent level, Mundra may be able to claim tax benefits on any losses incurred at Mundra.

Management has also indicated it is considering merging Mundra and the coal special purpose vehicles (SPVs) from a cash flow perspective.

For the coal business, management has indicated that it would ramp up production from 60MT to 75MT, but this is taking more time than expected time given the infrastructure and other constraints.

Remain Neutral (V) rating and target price of INR118

We use a sum-of-the-parts (SOTP) method to value Tata Power, given the differing risk-reward profiles of its various businesses. Based on our assumptions, as shown in Exhibit 21, we are keeping our target price of INR118 (post stock split), which implies a potential return of 20.8% (including dividend yield), which is within the Neutral band for volatile Indian stocks of 1-21%; hence we remain Neutral (V) on the stock. We add the volatility flag in recognition of the stock's historical volatility having increased.

Our target price of INR118 implies an FY13e PB of 1.6x versus a current FY12e PB of 1.5x, and FY13e PE of 11.4x versus the current FY12e PE of 11.4x.

Risks

Key upside risk is customers of Mundra accepting a tariff hike. **Downside risks:** execution delays, higher-than-expected mining costs, increased interest rates and unfavourable regulatory changes in India or Indonesia.

Exhibit 21 Tata Power consolidated valuation summary

Business	Basis	Value (INRm)	Multiple	% Share	Value (INRm)	INR per share
Parent company	DCF Basis. WACC of 10.1%, g=3%	90,504		100%	90,504	36.6
Subsidiaries						
IEL - 240MW	DCF Basis. WACC of 10.1%	5,017		74%	3,713	1.5
Maithon - 1,050MW	DCF Basis. WACC of 10.1%	18,446		74%	13,650	5.5
Mundra - 4,000MW	DCF - FCFE Basis. COE of 11.5%	-34,279		100%	-34,279	-13.9
NDPL	Regulated Equity	9,351	1.5x	51%	7,154	2.9
Power Links	Equity base	4,640	1.5x	51%	3,550	1.4
Tata Power Trading	10x on FY13e Earnings	110	10.0x	100%	1,099	0.4
Associates/JVs						
Stake in KPC and Arutmin (30%)	DCF Basis. WACC of 10.1%	526,238		30%	157,871	63.9
Tata BP Solar	10x on FY13e Earnings	672	10.0x	49%	3,292	1.3
Investments	Market price/Premium to book	28,410	1.2x	100%	32,896	13.3
Cash surplus	Consolidated Cash net of Parent Company - 50%	11,496	0.5x	100%	5,227	2.0
Total Equity value		**660,604**			**284,675**	**115.2**
Projects under development	1.6GW Dehrand project				6,915	2.8
Target Price					**291,590**	**118.0**

Source: HSBC estimates

PTC

- Strong quarter on the back of volume growth and margin expansion
- SEB financials to remain an overhang as payment delays continue
- Trading below book value (0.8x FY13e PB) and offering strong growth; reiterate Overweight with a target price of INR128

2Q preview – strong quarter as volumes and margin expand

We expect net profit of INR530m, up 55% y-o-y driven by:

- Trading volumes growth of 24% y-o-y in 2Q, resulting in strong revenue growth of 25% y-o-y
- Margin improvement to 5.0 paise per unit (up 10% y-o-y), plus rebate and surcharge income of INR200m (versus INR240m in 1Q), resulting in EBITDA growing 82% y-o-y to INR590m
- Other income to decline 8% y-o-y as much of the cash is deployed as working capital earning rebate income, which now contributes to EBITDA.

Outlook is positive but weak financial health of customers remains an overhang

We expect volumes to remain strong for PTC, growing at a 23% CAGR over FY12-14 despite a high base in FY11, driven by sales through both long-term contracts (more stable) as well as short-term sales. This volume growth, combined with margin expansion, should drive net profit higher at a 30% CAGR over FY12-14. We see very limited downside risk to these estimates. Furthermore, we believe the risk of default by State Electricity Boards (SEBs) is limited, although payment delays may be possible. The company has indicated that it is going to secure back-to-back payments from customers.

Exhibit 22: PTC's standalone quarterly earnings summary

INRm	Q2FY12e	yoy %	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12
Volume (MUs)	9,550	24%	5,747	7,730	5,813	5,191	6,726
Gross margin (INR paise/unit)	5.0	10%	4.0	4.5	5.0	5.2	4.9
Revenue	30,757	25%	27,584	24,693	17,580	20,788	24,874
Trading income	675	77%	323	382	463	434	569
- ow Rebates and surcharge income	200	492%	93	34	172	164	239
EBITDA	590	82%	278	324	411	343	476
Other income	165	-8%	138	180	155	143	174
Net profit - adjusted	530	55%	278	342	379	334	453

Source: HSBC estimates, Company data

Exhibit 23: PTC quarterly summary of sales volume by customer (showing exposure across all the states)

Sales volume by States (MU)	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12
Andhra Pradesh	74	3	1	38	42	222	29	69	104	324
Bihar	269	980	511	61	271	794	327	61	265	816
Delhi	162	336	49	118	211	286	26	3	87	71
Haryana	576	525	283	52	449	379	140	220	263	456
Himachal Pradesh	143	50	227	294	187	73	550	355	212	195
Jharkhand	111	411	211	24	112	335	135	82	138	359
Karnataka	144	0	0	300	205	291	614	1,185	332	436
Madhya Pradesh	0	0	46	0	0	0	0	64	169	63
Orissa	183	354	159	40	177	319	163	123	143	335
Punjab	334	761	314	108	572	1,303	184	136	568	1,665
Rajasthan	543	369	885	466	398	36	249	140	218	32
Tamil Nadu	648	497	331	834	1,549	626	1,538	1,294	1,052	339
Uttar Pradesh	250	170	379	61	511	577	210	687	1,475	1,839
WB, Jharkhand	99	315	168	34	101	247	111	35	97	238
West Bengal	389	1,385	706	134	420	1,459	454	128	448	1,318
Others	276	233	172	638	543	785	1,085	610	1,153	1,014
Grand Total	**4,202**	**6,388**	**4,444**	**3,200**	**5,747**	**7,730**	**5,813**	**5,191**	**6,726**	**9,500**
Growth y/y					**37%**	**21%**	**31%**	**62%**	**17%**	**23%**

Source: Company data

Investor focus on risk of payment defaults and deployment of surplus cash

Investors will be focused on receivable days, rebates and surcharge income, and risk of defaults by SEBs.

The market will also be watching the volume sales outlook and looking for clarity on projects where PTC has made equity investments.

Lastly, the use of surplus cash of INR10-11bn as working capital is a concern. Hence productive investments would be viewed positively. We have already excluded INR6bn used as working capital from our valuation.

Reiterate Overweight rating with target price of INR128

We use a sum-of-the-parts (SOTP) method to value PTC, given the different risk-reward profiles for different businesses. Based on our estimates, as shown in Exhibit 24, our target price is INR128, implying a potential return of 82.9% (including dividend yield), which is above the Neutral band for non-volatile Indian stocks of 6-16%; hence, we reiterate OW on the stock.

Our target price of INR128 implies a FY13e PB of 1.4x versus the current FY12e PB of 0.84x, and FY13e PE of 14.1x versus the current FY12e PE of 11.0x.

We believe the current share price discounts the risk of defaults by SEBs, which in our view is unjustified. We expect the stock to re-rate, as the company should report strong earnings growth over the coming two to three quarters.

Risks

Downside risks include: delays in projects on which power purchase agreements (PPAs) have already been signed, which could affect the outlook for long-term volume, and the renegotiation of PPAs by developers, which could affect margins.

Exhibit 24: PTC Consolidated valuation summary

Business	Method	Multiple	Value (INRm)	INR per Share
Trading Business	DCF	WACC of 11.8%	19,055	65
Power Exchange	PE	25x	491	2
Investments - Subs/Associates	PB	1.50x with 10% holding discount	4,620	16
Investments - PFS	PB	1.15x	5,788	20
Investments - Current	PB	1.0x	2,992	10
Cash and bank balances	PB	1.0x	5,883	20
Debt (net of loan financing)		1.0x	-1,057	-4
Total			**37,772**	**128**

Source: HSBC estimates

CESC

- Power distribution business in Kolkata is expected to provide steady income in 2Q
- Overhang of loss-making retail business to weigh on the stock; continued reduction of retail losses should boost investor sentiment in the long term
- Trading below book value (0.7x FY13e PB) and offering strong growth; reiterate Overweight and a target price of INR475

2Q preview – decent quarter, retail business to remain an overhang

We expect volumes to remain flat given no capacity addition in the last year. Thus revenue growth is forecast to grow modestly, up 10% y-o-y to INR12.1bn, on the back of a rise in fuel cost, which will be passed through to customers.

We expect generation to rise 1% y-o-y to 2.38bn units, with sales volume up 3% y-o-y to 2.3bn units.

However, net profit is expected to fall 25% y-o-y to INR1.16bn on a high comparative base, as last year's net profit was boosted by a one-time increase in tariff (up 16 paise per unit) allowed by the regulator in 2Q, while the expenditure was booked in the preceding quarters.

Strong growth and valuations are attractive but no near-term catalyst

Our investment thesis is built around: a stable power business with capacity additions in FY14; and improvements in its retail business with breakeven expected by FY15.

We expect EPS to grow at a CAGR of 48% over FY12-14, as retail losses narrow (from INR2bn in FY11 to INR400m by FY14) and the power business grows at a 28% CAGR over FY12-14e due to capacity additions at Chandrapur and Haldia in FY14.

We believe there does not appear to be any near-term catalysts for the stock. Further out from in FY12, the following factors may act as catalysts:

Exhibit 25: CESC's standalone quarterly earnings summary

INRm	2QFY12e	yoy%	1QFY11	2QFY11	3QFY11	4QFY11	1QFY12
Capacity (MW)	1,225	0.0%	1,225	1,225	1,225	1,225	1,225
Generation (MUs)	2,377	1.4%	2,443	2,344	2,147	1,826	2,395
PLF %	95%	-300bp	95%	98%	83%	72%	94%
Revenue	12,100	9.5%	10,960	11,050	9,390	8,750	11,830
EBITDA	2,697	-15.2%	2,560	3,180	2,530	2,460	2,670
PBT	1,450	-25.3%	1,370	1,940	1,370	1,410	1,390
Net profit	1,160	-25.2%	1,100	1,550	1,100	1,120	1,110

Source: HSBC estimates, Company data

- Completion of the commissioning of the 600MW Chandrapur power project (in March 2013) and 600MW Haldia (in May 2013)
- Breakeven in its retail business in the next 6-8 quarters as guided by the company
- The potential sale of a stake in its retail business, which could happen earlier

Investors' focus on retail loss reduction and progress on capacity addition

We expect investors to focus on how quickly the company can reduce losses at the retail business and the progress on the Haldia and Chandrapur power projects.

Reiterate Overweight rating and TP of INR475

Using a SOTP approach to value CESC, we arrive at a target price of INR475 (unchanged). This implies a potential return of 79.4% (including dividend yield), which is above the Neutral rating band of non-volatile Indian stocks of 6-16%; hence we maintain our OW rating on the stock.

Our target price of INR128 implies an FY13e PB of 1.1x versus the current FY12e PB of 0.7x, and an FY13e PE of 8.7x versus the current FY12e PE of 9.5x.

Risks

Downside risks to our view include: higher-than-expected losses in the retail business; execution risk in the power projects under development, disallowance of capex by the regulator in the distribution business; and merchant tariff risk, particularly on the Chandrapur power project.

Exhibit 26: CESC valuation summary

Particulars	Details	Basis	Equity Value (INRm)	% Stake	Equity Value (INRm)	INR per share
Power						
West Bengal Licence Area	1,225 MW	FCF - WACC of 11.0%	33,522	100%	33,522	268
Under Construction						
Chandrapur	600 MW	FCF - WACC of 11.0%	10,395	100%	10,395	83
Haldia Phase I	600 MW	FCF - WACC of 11.0%	7,043	100%	7,043	56
Sub-total			**50,960**		**50,960**	**408**
Retail		FCF - WACC of 13.0%	-3,829	95%	-3,627	-29
Real Estate			1,948	100%	1,948	16
Investments (Liquid)		1x book value	4,374	100%	4,374	35
Net debt / -Cash			5,778	100%	5,778	45
Total			**59,231**		**59,433**	**475**

Source: HSBC estimates

Disclosure appendix

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Company	Ticker	Recent price	Price Date	Disclosure
NTPC	NTPC.NS	168.25	17-Oct-2011	2, 5, 11
PTC INDIA	PTCI.BO	70.40	17-Oct-2011	4
TATA POWER	TTPW.BO	100.00	17-Oct-2011	2, 7

Source: HSBC

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