

COMPANY QUICK COMMENT

In a press release, NTPC stated that it commissioned Unit-1 (660MW) of Sipat today (June 28) - in-line with guidance given by management when we visited the site earlier this month. We expect Unit-1 to achieve CoD in 4-6 weeks, Unit-2 in the next 6 months and Unit-3 by 1QFY13 if not in 4QFY12 itself. In our view, commissioning of the super-critical unit is a significant milestone; moreover it signifies that technical problems relating to the TG unit (vendor being Power Machines of Russia) have been successfully resolved. At 1.9x FY13F P/B, valuations appear reasonable; maintain BUY.

Price target: 228.0 INR

Price (27 Jun 2011): 182.45 INR

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Commissioning of 660MW Unit-1 at Sipat is a critical milestone**Event**

In a press release, NTPC stated that it commissioned Unit-1 (660MW) of its (3x660MW) Sipat-I power project today (June 28, 2011). The unit was synchronized on February 18, 2011; with the commissioning of this unit, total capacity at Sipat facility (Phase I and Phase II) now stands at 1660MW.

Analysis & Implications

We note that the commissioning timeline of Unit-1 (660MW) of Sipat-I is in-line with guidance given by management when we visited the site earlier this month (see *Takeaways from our visit to Sipat facility and Dipka, Gevra coal mines, 6th June, 2011*). We expect Unit-1 to achieve CoD (begin commercial operations) in 4-6 weeks.

In our view, commissioning of NTPC's first super-critical unit is a significant milestone; moreover it signifies that technical problems relating to the TG unit (vendor being Power Machines of Russia) have been successfully resolved.

As per management, indicative startup timeline for the remaining two supercritical units at Sipat is August (Unit-2) and 4QFY12 (Unit-3). In our view, Unit-2 should achieve CoD within the next six months and CoD of Unit-3 should happen by 1QFY13 if not in 4QFY12 itself.

Valuation Methodology and Investment Risks: We use a residual income model to value the company. Key assumptions of our model are 1) Cost of equity - 12%; 2) Terminal RoE - 20%; and 3) terminal growth rate - 2%. Risks: 1) Project execution delays; 2) lower coal supplies under already signed FSAs/LoAs; 3) reinvestment risk; and 4) adverse regulatory changes.

Note: Ratings and Price Targets are as of the date of the most recently published report (<http://go.nomuranow.com/research/globalresearchportal>) rather than the date of this email.

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Ticker	Price	Price date	Stock rating	Disclosures
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Issuer name

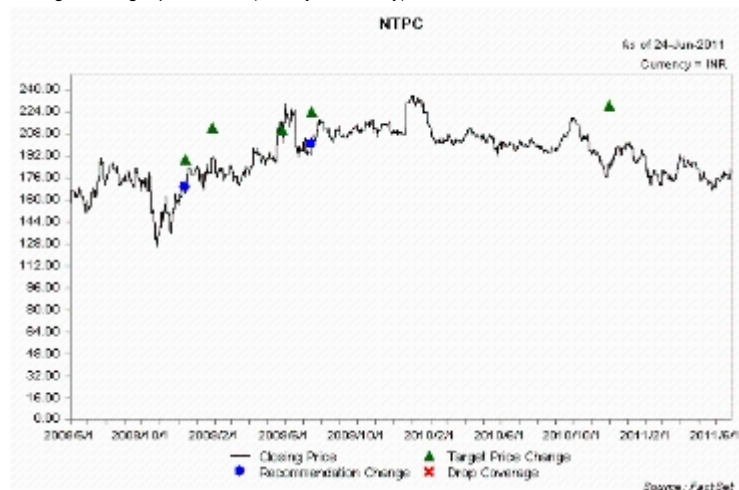
NTPC NTPC IN 182.45 INR 27 Jun 2011 Buy

Previous Rating**Issuer name**

NTPC Previous Rating Neutral Date of change 15 Jul 2009

NTPC (NTPC IN)**182.45 INR (27 Jun 2011) Buy**

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
01-Dec-2010		228.00	186.35
15-Jul-2009		224.00	199.50
15-Jul-2009	Buy		199.50
26-May-2009		210.00	201.40
29-Jan-2009		212.00	189.95
15-Dec-2008		189.00	168.50
15-Dec-2008	Neutral		168.50

Valuation Methodology We use a residual income model arrive at our TP of Rs228to value the company. Key assumptions of our model are 1) Cost of equity - 12%; 2) Terminal RoE - 20%; and 3) terminal growth rate - 2%.

Risks that may impede the achievement of the target price 1) Project execution delays; 2) lower coal supplies under already signed FSAs/LoAs; 3) reinvestment risk; and 4) adverse regulatory changes.

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As at 31 March 2011.

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Explanation of Nomura's equity research rating system for Asian companies under coverage ex Japan published from 30 October 2008 and in Japan from 6 January 2009

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Explanation of Nomura's equity research rating system in Japan published prior to 6 January 2009 (and ratings in Europe, Middle East and Africa, US and Latin America published prior to 27 October 2008)

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Explanation of Nomura's equity research rating system for Asian companies under coverage ex Japan published prior to 30 October 2008

STOCKS

Stock recommendations are based on absolute valuation upside (downside), which is defined as (Fair Value - Current Price)/Current Price, subject to limited management discretion. In most cases, the Fair Value will equal the analyst's assessment of the current intrinsic fair value of the stock using an appropriate valuation methodology such as Discounted Cash Flow or Multiple analysis etc. However, if the analyst doesn't think the market will revalue the stock over the specified time horizon due to a lack of events or catalysts, then the fair value may differ from the intrinsic fair value. In most cases, therefore, our recommendation is an assessment of the difference between current market price and our estimate of current intrinsic fair value. Recommendations are set with a 6-12 month horizon unless specified otherwise. Accordingly, within this horizon, price volatility may cause the actual upside or downside based on the prevailing market price to differ from the upside or downside implied by the recommendation.

A **'Strong buy'** recommendation indicates that upside is more than 20%.

A **'Buy'** recommendation indicates that upside is between 10% and 20%.

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A **'Reduce'** recommendation indicates that downside is between 10% and 20%.

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