

January 31, 2011

<b>Reco</b>	<b>Previous Reco</b>
Hold	Hold
<b>CMP</b>	<b>Target Price</b>
Rs 188	Rs 190
EPS change FY11E/12E (%)	NA
Target Price change (%)	NA
Nifty	5,506
Sensex	18,328

**Price Performance**

(%)	<b>1M</b>	<b>3M</b>	<b>6M</b>	<b>12M</b>
Absolute	(6)	(3)	(5)	(12)
Rel. to Nifty	5	6	(6)	(22)

Source: Bloomberg

**Relative Price Chart**



Source: Bloomberg

**Stock Details**

Sector	Power
Bloomberg	NATP@IN
Equity Capital (Rs mn)	82455
Face Value(Rs)	10
No of shares o/s (mn)	8245
52 Week H/L	222/175
Market Cap (Rs bn/USD mn)	1,558/33,895
Daily Avg Volume (No of sh)	3032542
Daily Avg Turnover (US\$m)	12.6

**Shareholding Pattern (%)**

	<b>S'10</b>	<b>J'10</b>	<b>M'10</b>
Promoters	84.5	84.5	84.5
FII/NRI	3.4	2.9	2.6
Institutions	8.4	8.8	9.1
Private Corp	1.5	1.6	1.5
Public	2.2	2.2	2.3

Source: Capitaline

**Amit Golchha**

amit.golchha@emkayglobal.com  
+91 22 6624 2408

**Nihag Shah, CFA**

nihag.shah@emkayglobal.com  
+91 22 6624 2486

- **APAT of Rs23.2bn (prior year sales not adj.) is higher than est. of Rs20.6bn - we see change in grossing up again to full tax rate led by 25.6% tax rate in the qtr (project delays)**
- **Detailed analysis of Q310 & Q311 numbers indicate that Q311 APAT should have been lower by Rs5.7bn, had NTPC followed MAT rate grossing up but actually its lower by only Rs450mn**
- **Though this might increase our FY11E earnings by ~10% but we believe that NTPC in all probabilities is likely to fall under MAT rate in FY12E - thus no change in FY12E earnings**
- **Valuations at 2.2x FY12E Book value, reasonable on core ROE of 25%; to review earnings post the concall tomorrow; Maintain Hold**

**APAT higher than estimates; hinting at change in grossing up to full tax**

NTPC's PAT of Rs23.7bn (flat yoy), is significantly higher than expectations of Rs20.6bn. After adjusting for one time items (depreciation write back, AAD and provisions), APAT stood at Rs23.2bn (down 2% yoy). We have not adjusted prior period sales in the above APAT numbers. As per our analysis, the APAT in Q311 should have been lower by Rs5.7bn (refer to the table on page 2) compared with Q310. However, the profits are higher - the most likely reason for the same we believe could be change in grossing up again to full tax rate (retrospectively). Just to recollect, NTPC had changed the grossing up to MAT rate from earlier full tax rate starting Q1FY11 - in anticipation of MAT rate applicability in FY11E. This was based on its assessment of project completions. We believe that the company is running short of its target on project commissioning which might result in NTPC falling under full tax in FY11E. Though this might increase our FY11E earnings by ~10% but we believe that NTPC in all probabilities is likely to fall under MAT rate in FY12E - thus no change in FY12E earnings likely.

Rsbn	Q3FY10	Q3FY11	Profit Difference
Incentives	1.71	0.97	(-) 0.74
Profit due to Grossing up	7.98	5.87	(-) 2.11
UI*	1.75	0.88	(-) 0.88
Prior Period Sales	2.69	1.57	(-)1.12
Deferred Tax	-1.12	1.67	(-)2.78
Other Income	7.79	6.69	(-)1.10
PAT from 1480MW commercialized during 1 <sup>st</sup> Jan 2010 to 31 <sup>st</sup> Dec 2010	0.00	1.51	(+) 1.51
Tax impact of Above items			(+) 1.52
Q311 APAT should have been lower by			(-) 5.70
Q311 APAT actually lower by only			(-) 0.45

Source: Emkay Research, Company, \*our estimate

**Financial Snapshot**

								Rs Mn			
YE-	Net	EBITDA		EPS	EPS	RoE		EV/			
Mar	Sales	(Core)	(%)	APAT	(Rs)	% chg	(%)	P/E	EBITDA	P/BV	
FY09	412,169	98,239	23.8	82,742	10.0	6.8	14.7	19.3	17.7	2.7	
FY10	470,426	131,404	27.9	84,806	10.3	2.5	14.8	17.6	13.6	2.5	
FY11E	525,579	134,776	25.6	84,021	10.3	0.4	13.7	17.5	14.5	2.3	
FY12E	602,985	163,178	27.1	91,852	11.1	7.9	13.2	17.0	13.5	2.2	

## Quarterly Results

Rs mn	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	YoY (%)	QoQ (%)	9mFY10	9mFY11	YoY (%)
<b>Revenue</b>	<b>111,837</b>	<b>123,534</b>	<b>129,445</b>	<b>129,893</b>	<b>134,213</b>	<b>20.0</b>	<b>3.3</b>	<b>336,951</b>	<b>393,551</b>	<b>16.8</b>
<b>Expenditure</b>	<b>-78,184</b>	<b>-96,877</b>	<b>-99,579</b>	<b>-99,792</b>	<b>-96,581</b>	<b>23.5</b>	<b>-3.2</b>	<b>-242,973</b>	<b>-295,952</b>	<b>21.8</b>
<i>as % of sales</i>	<i>-69.9%</i>	<i>-78.4%</i>	<i>-76.9%</i>	<i>-76.8%</i>	<i>-72.0%</i>			<i>-72.1%</i>	<i>-75.2%</i>	
Consumption of RM	-67,672	-83,460	-87,023	-86,073	-83,386	23.2	-3.1	-211,167	-256,482	21.5
<i>as % of sales</i>	<i>-60.5%</i>	<i>-67.6%</i>	<i>-67.2%</i>	<i>-66.3%</i>	<i>-62.1%</i>			<i>-62.7%</i>	<i>-65.2%</i>	
Power and Fuel	0	0	0	0	0			0	0	
<i>as % of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>			<i>0</i>	<i>0</i>	
Other Mfg Expenses	0	0	0	0	0			0	0	
<i>as % of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>			<i>0</i>	<i>0</i>	
Employee Cost	-5723	-7456	-6838	-7092	-6885	20.3	-2.9	-16,667	-20,815	24.9
<i>as % of sales</i>	<i>-5.1%</i>	<i>-6.0%</i>	<i>-5.3%</i>	<i>-5.5%</i>	<i>-5.1%</i>			<i>-4.9%</i>	<i>-5.3%</i>	
Other expenditure	-4789	-5961	-5718	-6628	-6310	31.8	-4.8	-15,139	-18,656	23.2
<i>as % of sales</i>	<i>-4.3%</i>	<i>-4.8%</i>	<i>-4.4%</i>	<i>-5.1%</i>	<i>-4.7%</i>			<i>-4.5%</i>	<i>-4.7%</i>	
<b>EBITDA</b>	<b>33,653</b>	<b>26,657</b>	<b>29,866</b>	<b>30,101</b>	<b>37,632</b>	<b>11.8</b>	<b>25.0</b>	<b>93,978</b>	<b>97,599</b>	<b>3.9</b>
Depreciation	-6614	-7322	-6827	-5063	-5986	-9.5	18.2	-19,179	-17,876	-6.8
<b>EBIT</b>	<b>27,039</b>	<b>19,335</b>	<b>23,039</b>	<b>25,038</b>	<b>31,646</b>	<b>13.1</b>	<b>26.4</b>	<b>74,799</b>	<b>79,723</b>	<b>6.6</b>
Other Income	7792	6277	5850	6147	6693	-14.1	8.9	22,965	18,690	-18.6
Interest	-3418	-4818	-5357	-5902	-4932	44.3	-16.4	-13,272	-16,191	22.0
<b>PBT</b>	<b>31,413</b>	<b>20,794</b>	<b>23,532</b>	<b>25,283</b>	<b>33,407</b>	<b>6.3</b>	<b>32.1</b>	<b>84,491</b>	<b>82,222</b>	<b>-2.7</b>
Total Tax	-7762	-618	-5113	-6898	-10199	31.4	47.8	-20,945	-22,210	6.0
<b>Adjusted PAT</b>	<b>23651</b>	<b>20176</b>	<b>18419</b>	<b>18385</b>	<b>23208</b>	<b>-1.9</b>	<b>26.2</b>	<b>63547</b>	<b>60012</b>	<b>-5.6</b>
Extra ordinary items	0	0	0	2688	506			3,569	3,194	
<b>Reported PAT</b>	<b>23651</b>	<b>20176</b>	<b>18419</b>	<b>21073</b>	<b>23714</b>	<b>0.3</b>	<b>12.5</b>	<b>67116</b>	<b>63206</b>	<b>-5.8</b>
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0			0	0	
<b>PAT after MI</b>	<b>23651</b>	<b>20176</b>	<b>18419</b>	<b>21073</b>	<b>23714</b>	<b>0.3</b>	<b>12.5</b>	<b>67116</b>	<b>63206</b>	<b>-5.8</b>
<b>Reported EPS</b>	<b>2.9</b>	<b>2.4</b>	<b>2.2</b>	<b>2.2</b>	<b>2.8</b>	<b>-1.9</b>	<b>26.2</b>	<b>7.8</b>	<b>7.3</b>	<b>-6.7</b>

Margins (%)						(bps)	(bps)			(bps)
EBIDTA	30.1	21.6	23.1	23.2	28.0	-205	487	27.9	24.8	-309
EBIT	24.2	15.7	17.8	19.3	23.6	-60	430	22.2	20.3	-194
EBT	28.1	16.8	18.2	23.3	25.4	-268	209	25.1	20.9	-418
PAT	21.1	16.3	14.2	14.2	17.3	-386	314	19.9	16.1	-386
Effective Tax rate	24.7	3.0	21.7	30.4	30.5	576	4	24.8	27.0	222

**Plant Wise PLF details**

<b>Plant PLF</b>	<b>Q3FY10</b>	<b>Q3FY11</b>
BADARPUR TPS	78.15	69.64
DADRI (NCTPP)	96.66	68.99
FARAKKA STPS	64.62	78.72
KAHALGAON TPS	57.69	75.13
KORBA STPS	101.11	92.46
RAMAGUNDEM STPS	100.29	82.52
RIHAND STPS	94.50	97.87
SIMHADRI	98.16	95.00
SINGRAULI STPS	88.35	98.55
SIPAT STPS	95.86	85.29
TALCHER (OLD) TPS	95.72	90.44
TALCHER STPS	92.23	89.66
TANDA TPS	97.28	93.72
UNCHAHAR TPS	94.28	93.21
VINDHYACHAL STPS	98.48	92.83
<b>Overall Coal PLF</b>	<b>90.49</b>	<b>87.12</b>

Source: Emkay Research, CEA

## Financials

## Income Statement

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
<b>Net Sales</b>	<b>412,169</b>	<b>470,426</b>	<b>525,579</b>	<b>602,985</b>
<i>Growth (%)</i>	18.4	14.1	11.7	14.7
<b>Expenditure</b>	<b>313,930</b>	<b>339,022</b>	<b>390,803</b>	<b>439,807</b>
Raw Materials	271,106	294,627	340,035	378,334
Construction Exp	0	0	0	0
Employee Cost	24,631	24,124	26,975	31,414
Other Exp	18,192	20,271	23,794	30,058
<b>EBITDA</b>	<b>98,239</b>	<b>131,404</b>	<b>134,776</b>	<b>163,178</b>
<i>Growth (%)</i>	6.0	33.8	2.6	21.1
<b>EBITDA margin (%)</b>	<b>23.8</b>	<b>27.9</b>	<b>25.6</b>	<b>27.1</b>
Depreciation	23,645	26,501	26,299	35,077
<b>EBIT</b>	<b>74,595</b>	<b>104,903</b>	<b>108,477</b>	<b>128,101</b>
<b>EBIT margin (%)</b>	<b>18.1</b>	<b>22.3</b>	<b>20.6</b>	<b>21.2</b>
Other Income	30,510	25,671	22,583	19,253
Interest expenses	17,274	18,089	23,130	30,278
<b>PBT</b>	<b>87,830</b>	<b>112,485</b>	<b>107,930</b>	<b>117,077</b>
Tax	4,002	28,772	25,275	27,805
<i>Effective tax rate (%)</i>	4.7	24.6	22.1	23.2
<b>Adjusted PAT</b>	<b>83,829</b>	<b>83,713</b>	<b>82,655</b>	<b>89,272</b>
(Profit)/loss from JV's/Ass/MI	-1,087	1,093	1,367	2,580
<b>Adjusted PAT after MI</b>	<b>82,742</b>	<b>84,806</b>	<b>84,021</b>	<b>91,852</b>
<i>Growth (%)</i>	6.8	2.5	0.4	7.9
<b>Net Margin (%)</b>	<b>20.1</b>	<b>18.0</b>	<b>16.0</b>	<b>15.2</b>
E/O items	-1,818	3,569	5,006	0
<b>Reported PAT</b>	<b>80,924</b>	<b>88,375</b>	<b>89,028</b>	<b>91,852</b>
<i>Growth (%)</i>	8.3	9.2	0.7	3.2

## Cash Flow

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
<b>PBT (Ex-Other income)</b>	<b>54,416</b>	<b>91,476</b>	<b>91,720</b>	<b>100,404</b>
Depreciation	23,645	26,501	26,299	35,077
Interest Provided	17,274	18,089	23,130	30,278
Other Non-Cash items	0	0	0	0
Chg in working cap	-12,794	-16,330	-6,563	-9,211
Tax paid	-9,668	-28,902	-25,275	-27,805
<b>Operating Cashflow</b>	<b>72,873</b>	<b>90,834</b>	<b>109,311</b>	<b>128,742</b>
Capital expenditure	-131,351	-101,731	-224,000	-302,355
<b>Free Cash Flow</b>	<b>-58,478</b>	<b>-10,897</b>	<b>-114,689</b>	<b>-173,613</b>
Other income	30,510	25,671	22,583	19,253
Investments	11,335	-9,251	-9,695	-17,516
<b>Investing Cashflow</b>	<b>-89,506</b>	<b>-85,311</b>	<b>-211,112</b>	<b>-300,618</b>
Equity Capital Raised	5,626	-3,253	0	0
Loans Taken / (Repaid)	73,772	32,292	129,920	190,484
Interest Paid	-17,274	-18,089	-23,130	-30,278
Dividend paid (incl tax)	-29,683	-31,268	-29,912	-33,031
Income from investments	-2,839	-5,434	-8,440	-11,656
Others	0	0	622	880
<b>Financing Cashflow</b>	<b>29,602</b>	<b>-25,752</b>	<b>69,060</b>	<b>116,399</b>
<b>Net chg in cash</b>	<b>12,969</b>	<b>-20,229</b>	<b>-32,741</b>	<b>-55,477</b>
Opening cash position	151,855	164,824	144,595	111,853
<b>Closing cash position</b>	<b>164,824</b>	<b>144,595</b>	<b>111,854</b>	<b>56,377</b>

## Balance Sheet

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
Equity share capital	82,455	82,455	82,455	82,455
Reserves & surplus	510,606	558,028	606,562	657,188
<b>Net worth</b>	<b>593,061</b>	<b>640,483</b>	<b>689,017</b>	<b>739,643</b>
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Secured Loans	345,678	377,970	507,890	698,374
Unsecured Loans	0	0	0	0
<b>Loan Funds</b>	<b>345,678</b>	<b>377,970</b>	<b>507,890</b>	<b>698,374</b>
Net deferred tax liability	0	2,093	6,223	6,223
<b>Total Liabilities</b>	<b>938,739</b>	<b>1,020,546</b>	<b>1,203,130</b>	<b>1,444,240</b>
Gross Block	623,530	709,310	781,038	954,586
Less: Depreciation	294,153	320,654	346,953	382,029
<b>Net block</b>	<b>329,377</b>	<b>388,656</b>	<b>434,085</b>	<b>572,556</b>
Capital work in progress	264,049	280,000	432,272	561,079
<b>Investment</b>	<b>137,727</b>	<b>148,071</b>	<b>159,132</b>	<b>179,228</b>
<b>Current Assets</b>	<b>311,361</b>	<b>308,158</b>	<b>294,593</b>	<b>266,030</b>
Inventories	32,434	33,477	37,402	42,910
Sundry debtors	35,842	66,515	74,313	85,258
Cash & bank balance	164,824	144,595	111,853	56,377
Loans & advances	78,261	63,571	71,024	81,484
Other current assets	0	0	0	0
<b>Current lia &amp; Prov</b>	<b>106,886</b>	<b>107,582</b>	<b>120,195</b>	<b>137,897</b>
Current liabilities	106,886	107,582	120,195	137,897
Provisions	0	0	0	0
<b>Net current assets</b>	<b>204,475</b>	<b>200,576</b>	<b>174,398</b>	<b>128,133</b>
Misc. exp & Def. Assets	3,111	3,243	3,243	3,243
<b>Total Assets</b>	<b>938,739</b>	<b>1,020,546</b>	<b>1,203,130</b>	<b>1,444,240</b>

## Key Ratios

Y/E, Mar	FY09	FY10	FY11E	FY12E
<b>Profitability (%)</b>				
EBITDA Margin	23.8	27.9	25.6	27.1
Net Margin	20.1	18.0	16.0	15.2
ROCE	8.5	10.7	9.8	9.8
ROE	14.7	14.8	13.7	13.2
RoIC	21.3	24.0	21.1	20.1
<b>Per Share Data (Rs)</b>				
EPS	10.0	10.3	10.3	11.1
CEPS	12.8	12.8	12.8	14.4
BVPS	69.6	75.7	81.6	87.7
DPS	3.6	3.8	3.6	4.0
<b>Valuations (x)</b>				
PER	19.3	17.6	17.5	17.0
P/CEPS	14.8	14.7	14.8	13.1
P/BV	2.7	2.5	2.3	2.2
EV / Sales	4.2	3.8	3.7	3.6
EV / EBITDA	17.7	13.6	14.5	13.5
Dividend Yield (%)	1.9	2.0	1.9	2.1
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	0.3	0.4	0.6	0.9
Net Debt/EBITDA	1.9	1.8	2.9	3.9
Working Cap Cycle (days)	35	43	43	43

**Recommendation History: NTPC – NATP IN**

Date	Reports	Reco	CMP	Target
27/10/2010	<a href="#">NTPC Q2FY11 Result Update</a>	Hold	198	190
26/11/2010	<a href="#">NTPC Q1FY11 Result Update</a>	Accumulate	202	220
02/06/2010	<a href="#">NTPC Q4FY10 Result Update</a>	Accumulate	197	220
02/02/2010	<a href="#">NTPC Q3FY10 Result Update</a>	Hold	208	204

**Recent Research Reports**

Date	Reports	Reco	CMP	Target
27/01/2011	<a href="#">Emco Q3FY11 Result Update</a>	Reduce	66	60
25/01/2011	<a href="#">Bharat Bijlee Q3FY11 Result Update</a>	Buy	1,088	1,350
25/01/2011	<a href="#">Power Sector Report: Too many ends to tie</a>			
13/01/2011	<a href="#">Sintex Industries Q3FY11 Result Update</a>	Accumulate	169	215

**Emkay Global Financial Services Ltd.**

Paragon Center, H -13 -16, 1st Floor, Pandurang Budhkar Marg, Worli, Mumbai – 400 013. Tel No. 6612 1212. Fax: 6624 2410

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