

Sector: Utilities

Sensex:	16,836
CMP (Rs):	204
Target price (Rs):	220
Upside (%):	7.8
52 Week h/l (Rs):	242 / 187
Market cap (Rscr) :	168,208
6m Avg vol ('000Nos):	4,034
No of o/s shares (mn):	8,245
FV (Rs):	10
Bloomberg code:	NATP IB
Reuters code:	NTPC.BO
BSE code:	532555
NSE code:	NTPC

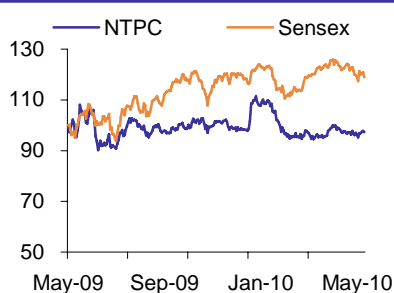
Prices as on 17 May, 2010.

Shareholding pattern

March '10	(%)
Promoters	84.5
Institutions	11.6
Non promoter corp hold	1.5
Public & others	2.4

Performance rel. to sensx

(%)	1m	3m	1yr
NTPC	2.5	(0.2)	(29.4)
Tata Power	3.6	1.7	6.6
CESC	3.6	(1.6)	16.8
Reliance Infra	(6.6)	(7.8)	(17.9)

Share price trend


- ⊕ Higher commercial capacity and improved gas supply translates into 2.9% yoy and 7.7% qoq growth in generation to 58BU during Q4 FY10
- ⊕ We believe average realizations improved by 5.7% yoy to Rs2.25/unit, resulting into 7.9% yoy growth in revenues to Rs123bn
- ⊕ Reported PAT de-grows by 4.5% yoy to Rs20.2bn, full year PAT grows 6.4% yoy
- ⊕ Only 990MW of 3,300MW commissioned during FY10
- ⊕ Re-iterate *Market Performer* with a target price of Rs220/share

Result table

(Rs m)	Q4 FY10	Q4 FY09	% yoy	Q3 FY10	% qoq
Generation (BU)	58	57	2.9	54	7.7
Sales (BU)	55	54	2.1	51	7.7
Realization (Rs/unit)	2.25	2.13	5.7	2.20	2.5
Net sales	123,534	114,458	7.9	111,837	10.5
Material cost	(83,460)	(80,158)	4.1	(67,673)	23.3
Personnel cost	(7,456)	(6,203)	20.2	(5,723)	30.3
Other overheads	(5,961)	(5,898)	1.1	(4,789)	24.5
Operating profit	26,657	22,199	20.1	33,653	(20.8)
OPM (%)	21.6	19.4	218 bps	30.1	(851) bps
Depreciation	(7,322)	(7,264)	0.8	(6,614)	10.7
Interest	(4,818)	(5,404)	(10.8)	(3,418)	41.0
Other income	6,277	10,091	(37.8)	7,791	(19.4)
PBT	20,794	19,621	6.0	31,412	(33.8)
Tax	(618)	1,512	(140.9)	(7,763)	(92.0)
Effective tax rate (%)	3.0	(7.7)		24.7	
Reported PAT	20,177	21,134	(4.5)	23,650	(14.7)
Rep. PAT margin (%)	16.3	18.5	(213) bps	21.1	(481) bps
EPS (Rs)	9.8	10.3	(4.5)	11.5	(14.7)

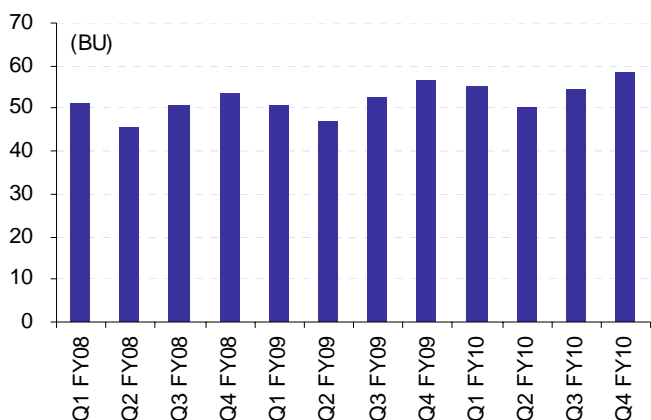
Source: Company, India Infoline Research

Higher capacity and better realizations translate into 8% revenue growth in Q4 FY10

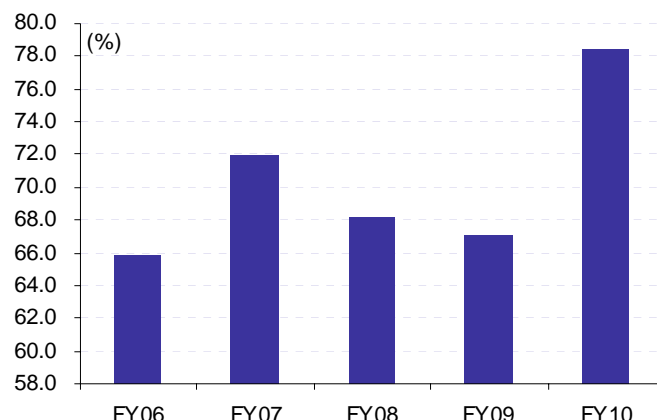
During Q4 FY10, NTPC's revenues grew by 7.9% yoy to Rs123bn due to 1) higher generation and 2) improved realizations. Its generation grew by 2.9% yoy to 58BU during the quarter. This was on account of 1) higher commercial capacity and 2) improved gas supply. NTPC commissioned operations at its 490MW Dadri unit and 500MW at Kahalgaon and commercialized 1.5GW during the year. Average realizations grew by 5.7% yoy to Rs2.25/unit during the quarter.

NTPC's coal stations operated at 90.81% PLF, significantly higher than the national average of 77.48%. An improvement in the operations of its gas based plants, due to higher gas supplies, enabled them to operate at 78.38% PLF. Increased capacity coupled with robust operations, resulted into 5.8% yoy growth in FY10 generation to 218.8BU against 206.9BU last year. This coupled with higher realizations translated into 10.5% yoy growth in FY10 revenues to Rs463bn.

Highest generation achieved in Q4FY10



Gas plants achieved highest PLF in FY10



Source: Company, India Infoline Research

NTPC's 12 stations operated above 90% PLF

Coal Stations	Capacity (MW)	PAF (%)	PLF (%)
Korba STPS	2,100	95.5	97.6
Feroze Gandhi Unchahar TPS	1,050	94.1	97.3
Simhadri TPS	1,000	94.4	97.3
Dadri (Coal) TPS	1,330	94.3	96.6
Vindhyachal STPS	3,260	94.0	96.6
Rihand STPS	2,000	92.3	95.6
Ramagundam STPS	2,600	93.7	94.8
Sipat STPS	1,000	93.0	93.3
Singrauli STPS	2,000	90.4	92.8
Tanda TPS	440	90.8	92.2
Talcher TPS	460	90.7	90.9
Talcher Kaniha STPS	3,000	94.8	90.4

Source: Company, India Infoline Research

NTPC's gas plants achieve record PLF's

Gas Stations	Capacity (MW)	PLF (%)
Faridabad	430	85.0
Anta GPP	413	81.7
Gandhar	648	77.9
Auraiya	652	77.9
Dadri Gas	817	77.1
Kayamkulam	350	76.8
Kawas	645	75.3

Source: Company, India Infoline Research

FY10 PAT grows by 6% to Rs87bn

During Q4 FY10, NTPC's reported PAT de-grew by 4.5% yoy to Rs20.2bn against Rs21.1bn in the corresponding period last year. Its FY10 PAT grew by 6.4% yoy to Rs87.3bn against Rs82bn last year, in line with our estimate of Rs87.6bn.

Capacity addition remains low, misses target again

During FY10, NTPC commissioned only 990MW (on a standalone basis) against its target of 3.3GW. However, it commercialized 1,450MW during the year. Under JV's it commissioned 570MW, thus taking its overall commissioning to 1,560MW for the year. With this its total installed capacity increased by 4.3% yoy to 31.7GW (28.8GW under NTPC and 2.9GW through JVs). NTPC currently has 17.8GW under construction, of which it targets to commission 4,150MW during FY11 and the remaining over the next 2-3 years. Apart from this it has floated tenders inviting bids for 11units of 660MW sets.

Rs291bn planned to be spent in FY11

During FY10, NTPC spent Rs101bn and Rs38bn on projects being executed by itself and its subsidiaries respectively. It plans to more than double its capex in FY11 to Rs291bn - Rs223bn for the standalone entity (higher by 120% yoy) and Rs67bn under JV's (increase of 75% yoy).

Commissioned 990MW in standalone entity

Project	Capacity (MW)
NTPC Owned	
Kahalagaon Stage II	500
Dadri Stage II, Unit 5	490
Under JV's	
RGPPPL Block I	640
Less: Derated capacity	180
Kanti Stage I	110
Total	1,560

Source: Company, India Infoline Research

NTPC plans to add 4,150MW during FY11

Project	Capacity (MW)
Sipat Stage I, Unit I	660
Jhajjar, Unit 1 & 2	1,000
Korba Stage III, Unit 7	500
NCTPP Stage II, Unit 6	490
Simhadri, Stage II Unit 3 & 4	1,000
Farakka, Stage III, Unit 6	500
Total	4,150

Source: Company, India Infoline Research

Commercialised 1.5GW during FY10

Project	Capacity (MW)	CoD
Bhilai Unit 1	250	22-Apr-09
Bhilai Unit 2	250	21-Oct-09
Dadri Unit 5	490	31-Jan-10
Kahalagaon Unit 7	500	20-Mar-10
Total	1,490	

Source: Company, India Infoline Research

NTPC plans to invest Rs291bn during FY11

(Rs mn)	FY11	FY10	% yoy
NTPC	223,500	101,372	120.5
JV	67,541	38,649	74.8
Total	291,041	140,021	107.9

Source: Company, India Infoline Research

Trades near fair value at 2.3x FY12E book, re-iterate Market Performer

The stock has underperformed the Sensex in the last one year, in line with our prior recommendations. Relative to Sensex the stock has given a negative return of 29% over the last one year. At the current price, it trades near its fair value at 2.3x FY12E book, thus leaving limited room for upside. We build in an addition of 11.3GW over FY08-12 against the company's target of 22GW, as it has been unable to meet its yearly addition targets. During the first three years of the plan period, the company has missed its addition target by ~62%. Back-endedness of its capacity addition plan increased riskiness of timely commissioning of projects, hence resulting into slippages. Hence, we continue to maintain Market Performer rating on the stock with a target price of Rs220/share.

Financial summary

Y/e 31 Mar (Rs m)	FY09	FY10E	FY11E	FY12E
Revenues	420,400	464,389	553,935	658,543
yoy growth (%)	13.3	10.5	19.3	18.9
Operating profit	105,141	125,367	153,810	180,961
OPM (%)	25.0	27.0	27.8	27.5
Pre-exceptional PAT	82,013	87,282	93,411	99,341
Reported PAT	82,013	87,282	93,411	99,341
yoy growth (%)	10.6	6.4	7.0	6.3
EPS (Rs)	9.9	10.6	11.3	12.0
P/E (x)	20.4	19.1	17.9	16.8
Price/Book (x)	2.9	2.7	2.5	2.3
EV/EBITDA (x)	17.8	15.3	13.3	12.0
Debt/Equity (x)	0.6	0.6	0.7	0.7
RoE (%)	14.8	14.5	14.4	14.2
RoCE (%)	12.9	12.9	13.9	13.6

Source: Company, India Infoline Research

Recommendation parameters for fundamental reports:

Buy – Absolute return of over +10%

Market Performer – Absolute return between -10% to +10%

Sell – Absolute return below -10%

Published in 2010. © India Infoline Ltd 2010

This report is for the personal information of the authorised recipient and is not for public distribution and should not be reproduced or redistributed without prior permission.

The information provided in the document is from publicly available data and other sources, which we believe, are reliable. Efforts are made to try and ensure accuracy of data however, India Infoline and/or any of its affiliates and/or employees shall not be liable for loss or damage that may arise from use of this document. India Infoline and/or any of its affiliates and/or employees may or may not hold positions in any of the securities mentioned in the document.

The report also includes analysis and views expressed by our research team. The report is purely for information purposes and does not construe to be investment recommendation/advice or an offer or solicitation of an offer to buy/sell any securities. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time without notice.

Investors should not solely rely on the information contained in this document and must make investment decisions based on their own investment objectives, risk profile and financial position. The recipients of this material should take their own professional advice before acting on this information.

India Infoline and/or its affiliate companies may deal in the securities mentioned herein as a broker or for any other transaction as a Market Maker, Investment Advisor, etc. to the issuer company or its connected persons.