

Weak 2Q on many headwinds, Treasury helps; Debtors double



Bharat Parekh >>

+91 22 6632 8656

Research Analyst
DSP Merrill Lynch (India)
bharat.parekh@baml.com

Weak 2Q - loss of incentives on lower PAF & expensive fuels; U/P

NTPC 2Q Rec PAT slowed to 2%YoY (-13% BofAMLe). Quality of 2Q was poor as fall in power incentives (EBIT fell 1%) was offset by 45%YoY growth in other income / treasury yield (+280bps). Headwinds in 2Q were – Plant Availability factor (PAF) fell by ~300bps to 83.4% (below incentive threshold of 85%) and debtor days doubled. NTPC's generation fell by 2.5%YoY as its clients back-down NTPC's expensive imported coal / gas stations. Reiterate our non-consensus U/P rating, on slowing growth, one of the most expensive regulated utility valuations of 2x P/BV for RoE of 14% (FY12) and 2% outperformance YTD.

Generation down - clients shun imported coal v/s Hydro / Nuke

NTPC 2Q generation fell 2.5%YoY. Coal based generation fell 1.5%YoY despite capacity +8.5%YoY on fall in generation at 12 out of its 15 coal stations having coal stocks of less than 7 days (Chart 4). To cut costs, its clients shun NTPC's expensive imported coal / gas (generation -11%YoY) and shift to cheaper fuels (Hydro / Nuke). NTPC maintained generation guidance of 235bu in FY12, which require a 15%YoY growth in 2H vs 2%YoY fall 1H, which looks a tough ask.

Balance sheet impact - debtor day 2x and payment delayed

Debtors days have gone up by >2x to 69 days (vs 33days in 2Q11). Average payment on 1st day gone down from 60% to 30-35%, while payment on 60th day is up from 5-10% to 20-25%, indicating worsening financials of its customers.

Secular growth slowed by delay in capex, Underperform

Negative catalysts are: 1) delay in capex - missed its FY11 capex target by 43% on execution delays by its Russian vendors and delay in ordering of bulk tender, impacting its PAT/RoE growth, 2) risk of tax gross-up @ MAT in FY12E impacting EPS growth, 3) increased competition and 4) rich valuation - P/BV at 2x FY12E, highest among the reg. Asian utilities. Pick-up in power / coal capex and higher than 15.5% RoE on gross-up of tax @ peak rate are positive catalysts.

Estimates (Mar)

(Rs)	2010A	2011A	2012E	2013E	2014E
Net Income (Adjusted - mn)	84,520	89,118	101,606	112,890	122,198
EPS	10.25	10.81	12.32	13.69	14.82
EPS Change (YoY)	4.7%	5.4%	14.0%	11.1%	8.2%
Dividend / Share	3.80	3.80	4.44	4.93	5.34
Free Cash Flow / Share	(1.28)	(2.57)	(15.72)	(18.29)	(19.82)

Valuation (Mar)

	2010A	2011A	2012E	2013E	2014E
P/E	17.42x	16.52x	14.49x	13.04x	12.05x
Dividend Yield	2.13%	2.13%	2.48%	2.76%	2.99%
EV / EBITDA*	16.47x	14.39x	12.15x	9.44x	7.61x
Free Cash Flow Yield*	-0.718%	-1.44%	-8.80%	-10.25%	-11.10%
Price/Book Value	2.4	2.2	2.0	1.8	1.7

* For full definitions of *iQmethod*SM measures, see page 9.

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Refer to important disclosures on page 10 to 12. Analyst Certification on Page 8. Price Objective Basis/Risk on page 8. Link to Definitions on page 8.11103227

Stock Data

Price	Rs178.55
Price Objective	Rs192.00
Date Established	8-May-2011
Investment Opinion	C-3-7
Volatility Risk	HIGH
52-Week Range	Rs160.00-Rs203.80
Mrkt Val / Shares Out (mn)	US\$30,196 / 8,245.5
Market Value (mn)	Rs1,472,227
Average Daily Volume	2,444,885
BofAML Ticker / Exchange	NTHPF / BSE
Bloomberg / Reuters	NTPC IN / NTPC.BO
ROE (2012E)	14.3%
Net Dbt to Eqty (Mar-2011A)	39.8%
Est. 5-Yr EPS / DPS Growth	14.0% / 14.0%
Free Float	15.5%

Key Changes

(Rs)	Previous	Current
2012E Rev (m)	611,965.2	613,585.0
2013E Rev (m)	754,670.6	756,045.7
2014E Rev (m)	877,311.7	878,032.4
2012E EPS	12.26	12.32
2013E EPS	13.64	13.69
2014E EPS	14.78	14.82

iQprofileSM NTPC Ltd.

Key Income Statement Data (Mar)	2010A	2011A	2012E	2013E	2014E
(Rs Millions)					
Sales	458,086	544,045	613,585	756,046	878,032
Gross Profit	119,496	139,377	164,368	209,887	257,900
Sell General & Admin Expense	(7,082)	(10,703)	(12,040)	(13,786)	(14,655)
Operating Profit	85,914	103,021	122,445	157,846	195,468
Net Interest & Other Income	18,088	11,070	9,886	(8,561)	(33,222)
Associates	NA	NA	NA	NA	NA
Pretax Income	104,002	114,091	132,331	149,285	162,246
Tax (expense) / Benefit	(19,482)	(24,973)	(30,725)	(36,395)	(40,048)
Net Income (Adjusted)	84,520	89,118	101,606	112,890	122,198
Average Fully Diluted Shares Outstanding	8,245	8,245	8,245	8,245	8,245

Key Cash Flow Statement Data

Net Income	84,520	89,118	101,606	112,890	122,198
Depreciation & Amortization	26,501	25,653	29,882	38,255	47,777
Change in Working Capital	(16,331)	(5,405)	617	(11,815)	(11,637)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(3,533)	1,488	(1,814)	15,602	38,936
Cash Flow from Operations	91,157	110,855	130,291	154,932	197,273
Capital Expenditure	(101,731)	(132,063)	(259,874)	(305,764)	(360,720)
(Acquisition) / Disposal of Investments	(8,236)	24,623	(1,413)	1,268	12,901
Other Cash Inflow / (Outflow)	(1,290)	(4,011)	0	0	0
Cash Flow from Investing	(111,257)	(111,451)	(261,287)	(304,496)	(347,819)
Shares Issue / (Repurchase)	(2)	59	0	0	0
Cost of Dividends Paid	(36,608)	(36,537)	(42,512)	(47,233)	(51,128)
Cash Flow from Financing	(4,318)	17,434	122,649	136,103	153,831
Free Cash Flow	(10,573)	(21,208)	(129,582)	(150,832)	(163,447)
Net Debt	233,375	270,030	441,724	654,123	894,732
Change in Net Debt	56,709	37,074	173,508	196,797	201,673

Key Balance Sheet Data

Property, Plant & Equipment	668,656	775,066	1,005,057	1,272,567	1,585,510
Other Non-Current Assets	148,071	123,448	124,861	123,593	110,692
Trade Receivables	66,515	79,243	79,473	97,864	114,202
Cash & Equivalents	144,595	161,853	155,320	126,257	90,607
Other Current Assets	97,049	112,872	125,837	150,872	170,462
Total Assets	1,124,885	1,252,482	1,490,549	1,771,153	2,071,473
Long-Term Debt	377,970	431,882	597,044	780,380	985,339
Other Non-Current Liabilities	14,959	10,948	10,948	10,948	10,948
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	107,582	130,729	144,540	176,151	200,442
Total Liabilities	500,511	573,560	752,533	967,479	1,196,730
Total Equity	624,374	678,923	738,017	803,673	874,744
Total Equity & Liabilities	1,124,885	1,252,482	1,490,549	1,771,153	2,071,473

iQmethodSM - Bus Performance*

Return On Capital Employed	9.6%	9.4%	9.4%	9.4%	9.5%
Return On Equity	14.1%	13.7%	14.3%	14.6%	14.6%
Operating Margin	18.8%	18.9%	20.0%	20.9%	22.3%
EBITDA Margin	24.5%	23.7%	24.8%	25.9%	27.7%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	1.1x	1.2x	1.3x	1.4x	1.6x
Asset Replacement Ratio	3.8x	5.1x	8.7x	8.0x	7.6x
Tax Rate (Reported)	18.7%	21.9%	23.2%	24.4%	24.7%
Net Debt-to-Equity Ratio	37.4%	39.8%	59.9%	81.4%	102.3%
Interest Cover	7.7x	7.2x	6.8x	4.6x	3.4x

Key Metrics

* For full definitions of iQmethodSM measures, see page 9.

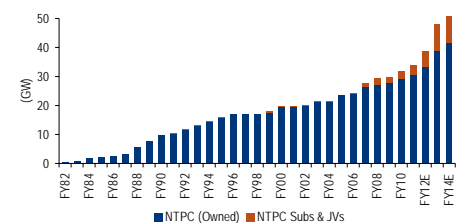
Company Description

NTPC is Asia's largest IPP with a capacity of 34GW (20% of India's capacity) and generates 221bu (27% of India's generation) of power. Its has 15 coal-based plants, 7 gas-based plants and 4 JV projects. It uses two main fuels, coal and gas, and is expected to start hydro generation by FY13. It plans to start coal mining in FY13. NTPC's efficient operations makes it one of the most profitable IPPs in India, which earns excess RoE.

Investment Thesis

Negative catalysts: delays in power and coal capex, improving financial health of state gencos could limit long-term sourcing of power from NTPC and a shift in business model to competitive bidding, increasing risk of competition. Positive catalysts: develop a 4.4bn ton captive coal mine to secure excess RoE and scale-up capacity aided by fuel security. Drivers of NTPC's growth are rise in capex, sales in profitable spot market and efficiency-linked incentives such as PAF-linked & fuel savings.

Chart 1: NTPC - Likely capacity



Source: Company, BofA Merrill Lynch Global Research

Stock Data

Price to Book Value

1.99x

Table 1: NTPC - 2QFY12 Results Review

Gross generation fell 2.5%YoY and power volume -3.8%YoY as its clients back-down NTPC's expensive imported coal / gas stations

Realisation Rs3.16/kWh +18%YoY on higher fuel cost (+27%YoY) due to higher import coal cost

Rec PAT grew at 1.7%YoY

While Reported PAT +15%YoY on exceptional income of Rs5.4bn vs Rs2.6bn

For the Period (Rs mn)	2QFY11R	2QFY12	%YoY
Gross Generation (mn kWh)	52,213	50,899	-2.5%
Loss %	6.6%	7.8%	18.0%
Sale (mn kWh)	48,755	46,922	-3.8%
Total Operating Income	130,373	148,147	13.6%
- Rs/kWh	2.67	3.16	18.1%
Fuel Cost	(86,073)	(106,494)	23.7%
% of net sales	66.0%	71.9%	
- Rs/kWh of Gross Generation	1.65	2.09	26.9%
- Rs/kWh	1.77	2.27	28.6%
Employee Cost	(7,092)	(7,846)	10.6%
% of net sales	5.4%	5.3%	
- Rs/kWh	0.15	0.17	15.0%
Others	(7,210)	(7,179)	-0.4%
% of net sales	5.5%	4.8%	
- Rs/kWh	0.15	0.15	3.5%
Total Expenses	(100,375)	(121,519)	21.1%
EBITDA	29,999	26,628	-11.2%
EBITDA Margin	23.0%	18.0%	-504bps
- Rs/kWh	0.62	0.57	-7.8%
Depreciation	(6,123)	(6,583)	7.5%
- Rs/kWh	0.13	0.14	11.7%
EBIT	23,876	20,045	-16.0%
EBIT Margin	18.3%	13.5%	-478bps
- Rs/kWh	0.49	0.43	-12.8%
Interest	(3,995)	(5,300)	32.7%
- Rs/kWh	0.08	0.11	37.9%
Other Operating Income	644	2,135	231.6%
- Rs/kWh	0.01	0.05	244.6%
Other Income: Recurring	5,584	6,881	23.2%
- Rs/kWh	0.11	0.15	28.0%
PBT	26,109	23,760	-9.0%
PBT Margin	20.0%	16.0%	
- Rs/kWh	0.54	0.51	-5.4%
Total Tax	(7,596)	(4,926)	-35.2%
Tax rate	29%	21%	
- Rs/kWh	0.16	0.10	-32.6%
Rec PAT	18,513	18,834	1.7%
Rec PAT Margin	14.2%	12.7%	
- Rs/kWh	0.38	0.40	5.7%
Extra-ord & Excep. Income /(Exp)	2,561	5,407	111.1%
Reported PAT	21,074	24,241	15.0%

Source: Company, BofA Merrill Lynch Global Research

Table 2: NTPC - Operational Details

(Rs mn)	2QFY11R	2QFY12	%YoY
Coal Capacity (MW) - Monitored	25,385	27,545	8.5%
Gas Capacity (MW) - Monitored	4,017	4,017	0.0%
Total Capacity (MW) - Monitored	29,402	31,562	7.3%
Gross Generation (mn kWh)	52,213	50,899	-2.5%
Gross Generation - Coal stations	46,181	45,502	-1.5%
Gross Generation - Gas stations	6,033	5,397	-10.5%
Avg PLF % - Coal stations	82.9	78.4	-453bps
Avg PLF % - Gas stations	68.0	60.8	-717bps
Avg PAF - Coal stations	86.5	83.4	-304bps
Avg PAF - Gas stations	92.1	92.3	20bps

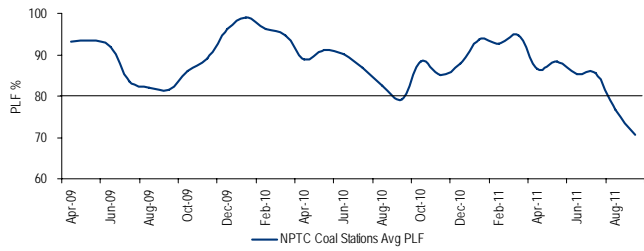
Source: Company, Ministry of Power, BofA Merrill Lynch Global Research

Table 3: NTPC - Fuel Supply Scenario

	FY10	FY11
Coal (mn T)		
Coal - Domestic	129.9	126.64
Coal - Imported	6.3	10.56
- Eq. Domestic Coal	10.14	17
Total - Coal	136.2	137.2
- Eq. Domestic Coal	140.04	143.64
Gas (mmscmd)		
Gas - APM+PMT	9.08	9
Gas - Long Term / Fallback / Spot RLNG	4.45	2.86
Gas - KG D6	0.35	1.91
Total - Gas	13.88	13.77

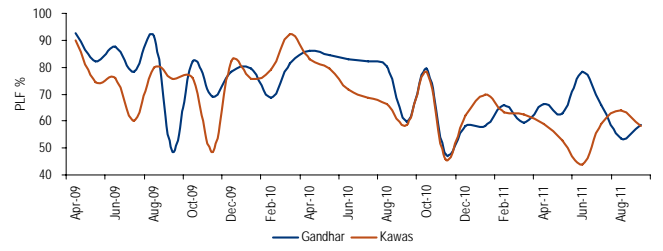
Source: Company reports

Chart 2: NTPC – Coal Stations average PLF



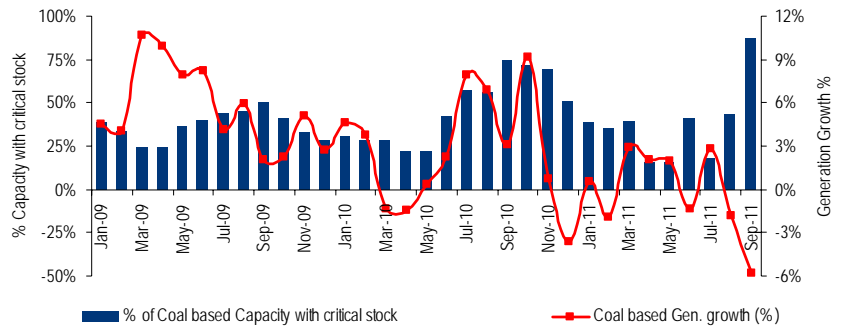
Source: Ministry of Power, BofA Merrill Lynch Global Research

Chart 3: NTPC – Gandhar and Kawas stations PLF



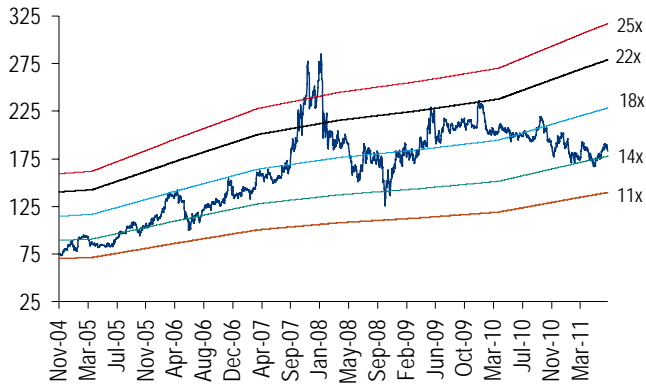
Source: Ministry of Power, BofA Merrill Lynch Global Research

Chart 4: NTPC - % of capacity of coal stations with critical coal stock & coal based generation growth



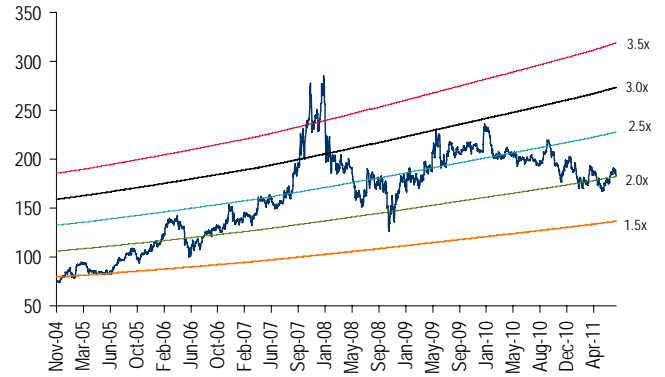
Source: Ministry of Power, BofA Merrill Lynch Global Research

Chart 5: NTPC – PE Band



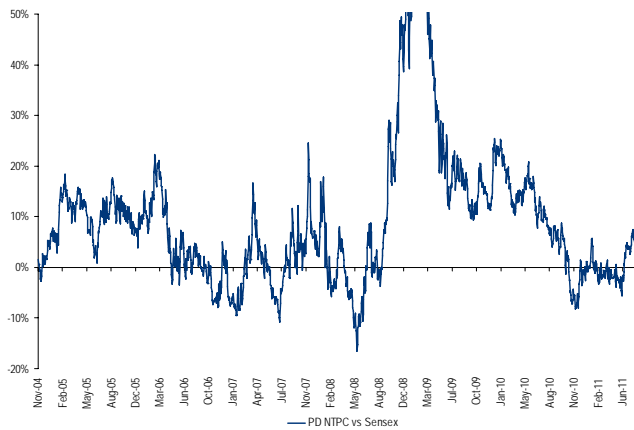
Source: BofA Merrill Lynch Global Research

Chart 6: NTPC – P/BV Band



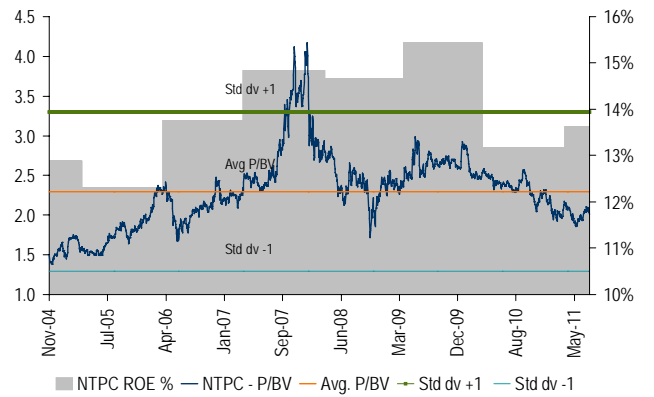
Source: BofA Merrill Lynch Global Research

Chart 7: NTPC – Premium / Discount vs Sensex



Source: BofA Merrill Lynch Global Research

Chart 8: NTPC – P/BV vs ROE



Source: BofA Merrill Lynch Global Research

Table 4: NTPC - Profit and Loss Statement

FY ends on Mar31, (Rs mn)	FY10	FY11	FY12E	FY13E	FY14E
Total Operating Income	458,086	544,045	613,585	756,046	878,032
- Growth %	12.7%	18.8%	12.8%	23.2%	16.1%
Fuel	294,628	353,738	391,415	479,274	547,994
Employee Remuneration & Benefits	24,124	27,897	31,077	35,584	37,825
Repair & Maintenance	12,902	15,805	18,602	21,300	22,642
Administration, Other overheads & Provisions (Net)	7,082	10,703	12,040	13,786	14,655
Discount on sales (@1% of Electricity sales)	6,937	7,228	8,122	10,002	11,671
EBITDA	112,414	128,674	152,327	196,100	243,245
EBITDA Margin	24.5%	23.7%	24.8%	25.9%	27.7%
- Growth %	15.3%	14.5%	18.4%	28.7%	24.0%
Depreciation & Amortization	26,501	25,653	29,882	38,255	47,777
EBIT	85,913	103,021	122,445	157,846	195,468
EBIT Margin	18.8%	18.9%	20.0%	20.9%	22.3%
- Growth %	16.3%	19.9%	18.9%	28.9%	23.8%
Interest & Finance Cost	11,152	14,263	18,006	34,436	57,386
Other income	18,987	16,452	21,944	21,382	21,126
Interest on Bonds	10,253	8,881	5,949	4,493	3,038
PBT	104,002	114,091	132,331	149,285	162,246
PBT Margin	22.7%	21.0%	21.6%	19.7%	18.5%
- Growth %	9.8%	9.7%	16.0%	12.8%	8.7%
Total Tax	19,482	24,973	30,725	36,395	40,048
Rec PAT	84,520	89,118	101,606	112,890	122,198
Rec PAT Margin	18.5%	16.4%	16.6%	14.9%	13.9%
- Growth %	4.7%	5.4%	14.0%	11.1%	8.2%
Other Extraordinary Adjustments	2,763	1,908	0	0	0
Reported PAT	87,283	91,026	101,606	112,890	122,198

Source: Company, BofA Merrill Lynch Global Research

Table 5: NTPC- Balance Sheet Statement

FY ends on Mar31, (Rs mn)	FY10	FY11	FY12E	FY13E	FY14E
Cash and Bank Balances	144,595	161,853	155,320	126,257	90,607
Sundry Debtors	66,515	79,243	79,473	97,864	114,202
Inventories	33,477	36,391	40,393	49,227	56,015
Loans and Advances	55,131	66,011	73,679	87,157	97,540
Other Current Assets	8,440	10,470	11,765	14,488	16,907
Total Current Assets	308,158	353,968	360,630	374,993	375,272
Other Investments	30,419	39,995	59,601	76,526	81,818
Bonds	117,652	83,453	65,260	47,067	28,874
Gross Block	668,501	727,552	877,886	1,158,514	1,299,610
Accumulated Depreciation	(320,888)	(335,192)	(365,074)	(403,329)	(451,106)
Net Block	347,613	392,360	512,812	755,185	848,504
CWIP	267,624	333,263	440,330	462,871	679,770
Construction Stores in Progress	53,419	49,443	51,915	54,511	57,236
TOTAL ASSETS	1,124,885	1,252,482	1,490,549	1,771,153	2,071,473
Current Liabilities & Provisions	107,582	130,729	144,540	176,151	200,442
Secured Loans	90,799	99,107	297,546	510,832	742,746
Unsecured Loans	287,171	332,776	299,498	269,548	242,593
Total Loans	377,970	431,882	597,044	780,380	985,339
Deferred Tax Liability	2,093	6,030	6,030	6,030	6,030
Advance against depreciation	16,108	7,921	7,921	7,921	7,921
Diff. Exch Liab, net / Develop. Surch Fund	(3,242)	(3,002)	(3,002)	(3,002)	(3,002)
Total Liabilities	500,511	573,560	752,533	967,479	1,196,730
Share Capital	82,455	82,455	82,455	82,455	82,455
Reserves & Surplus	541,920	596,468	655,562	721,219	792,289
Net Worth	624,374	678,923	738,017	803,673	874,744
TOTAL LIABILITIES + NETWORTH	1,124,885	1,252,482	1,490,549	1,771,153	2,071,473

Source: Company, BofA Merrill Lynch Global Research

Table 6: NTPC - Cash Flow Statement

FY ends on Mar31, (Rs mn)	FY10	FY11	FY12E	FY13E	FY14E
PAT	87,283	91,026	101,606	112,890	122,198
D&A	26,501	25,653	29,882	38,255	47,777
Change in Debtors	(30,673)	(12,729)	(230)	(18,391)	(16,339)
Change in Inventories	(1,043)	(2,914)	(4,002)	(8,834)	(6,788)
Change in Loans and Advances	13,338	(10,880)	(7,668)	(13,478)	(10,383)
Change in Other CA	1,352	(2,029)	(1,296)	(2,723)	(2,419)
Change in CL & Provisions	696	23,148	13,811	31,610	24,291
Change in Working Capital	(16,331)	(5,405)	617	(11,815)	(11,637)
Cash Flow from Operations	91,157	110,855	130,291	154,932	197,273
Capex	(101,731)	(132,063)	(259,874)	(305,764)	(360,720)
Change in Investment	(8,236)	24,623	(1,413)	1,268	12,901
Others	(1,290)	(4,011)	0	0	0
Cash Flow from Investing	(93,808)	(96,769)	(241,467)	(285,662)	(329,368)
Change in Equity	(0)	0	0	0	0
Change in Reserves	(2)	59	0	0	0
Change in Debt	32,292	53,912	165,161	183,337	204,959
Dividend & Dividend Tax	(36,608)	(36,537)	(42,512)	(47,233)	(51,128)
Cash Flow from Financing	(15,470)	3,171	104,643	101,668	96,445
Inc/Dec in Cash	(18,121)	17,258	(6,532)	(29,063)	(35,650)
Opening Cash	162,716	144,595	161,853	155,320	126,257
Closing Cash	144,595	161,853	155,320	126,257	90,607

Source: Company, BofA Merrill Lynch Global Research

Table 7: NTPC - Key Ratios & Valuations

	FY10	FY11	FY12E	FY13E	FY14E
Rec PAT	84,520	89,118	101,606	112,890	122,198
No of Shares	8,245	8,245	8,245	8,245	8,245
Mkt Cap	1,472,227	1,472,227	1,472,227	1,472,227	1,472,227
Share Price	179	179	179	179	179
EPS (Rs)	10.3	10.8	12.3	13.7	14.8
EPS Growth (%)	4.7%	5.4%	14.0%	11.1%	8.2%
CEPS (Rs)	13.5	13.9	15.9	18.3	20.6
DPS (Rs)	3.8	3.8	4.4	4.9	5.3
BV of Share (Rs)	75.7	82.3	89.5	97.5	106.1
P/E (x)	17.4	16.5	14.5	13.0	12.0
P/CEPS (x)	13.3	12.8	11.2	9.7	8.7
Yield %	2.1%	2.1%	2.5%	2.8%	3.0%
P/BV (x)	2.4	2.2	2.0	1.8	1.7
EV/EBITDA (x)	11.9	11.2	10.3	9.2	8.5
Net Debt (Rs mn)	85,305	146,581	316,862	530,530	784,040
RoE (%)	14.1%	13.7%	14.3%	14.6%	14.6%
PAT/EBIT (%)	98%	87%	83%	72%	63%
EBIT/Sales (%)	19%	19%	20%	21%	22%
Sales/Assets (%)	46.9%	50.9%	49.7%	51.4%	50.7%
Assets/Networth (%)	163%	164%	174%	191%	207%
ROCE (%)	10.74%	11.17%	11.70%	12.19%	12.50%
D/E (x)	0.61	0.64	0.81	0.97	1.13
Net D/E (x)	0.14	0.22	0.43	0.66	0.90
Receivable Days	56	56	50	50	50
Inventory Days	39	35	35	35	35
Other Current Asset Days	7	7	7	7	7
CL & Provisions Days	125	125	125	125	125
EV/MW (Rs mn/ MW)	48.9	48.5	50.2	48.5	51.9

Source: Company, BofA Merrill Lynch Global Research

Price objective basis & risk

NTPC Ltd (NTHPF)

Our PO of Rs192 for NTPC is based on DCF valuation which assumes WACC of 10.4pct on a lower risk-free rate and a terminal growth rate of 1pct. It is led by higher capacity, utilization rates & efficiency gains on the back of increased fuel security. Risks to our price objective are: (a) Gas supply to existing/new plants, (b) Likely end to the negotiated project allocation window from FY12E, (c) Potential cut in RoE with likely improved demand-supply gap of power, (d) Potential entry into unrelated businesses (boilers) and (e) Increased competition from the private sector. Upside risks: A pick-up in capex and higher than 15.5% RoE on gross-up of income tax / coal capex.

Link to Definitions

Energy

Click [here](#) for definitions of commonly used terms.

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Address – Mafatlal Centre, 8th Floor, Nariman Point, Mumbai, India. 400021

Tel : +91 22 6632 8000

India - Engineering/Construction/Utilities Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY				
	Adani Power Ltd.	XADPF	ADANI IN	Bharat Parekh
	Essar Ports	ESHPP	ESRS IN	Deepak Agrawala
	Gujarat State Petronet Ltd	GJRSP	GUJS IN	Vidyadhar Ginde
	GVK Power & Infrastructure Ltd.	GVPWF	GVKP IN	Deepak Agrawala
	IL&FS Transportation Networks Ltd	XTPSF	ILFT IN	Deepak Agrawala
	IRB Infrastructure Developers Ltd.	XIRBF	IRB IN	Deepak Agrawala
	IVRCL Infrastruc	IIFRF	IVRC IN	Bharat Parekh
	Jaiprakash Associates Limited	JPRKF	JPA IN	Bharat Parekh
	Jaiprakash Power Ventures Ltd.	XJSHF	JPVL IN	Bharat Parekh
	Lanco Infratech Ltd.	LNIF	LANCI IN	Deepak Agrawala
	Nagarjuna Const	NGRJF	NJCC IN	Bharat Parekh
	NCC-GDR	XAKUF	NJGR LX	Bharat Parekh
	Reliance Infrastructure	RCTDF	RELI IN	Bharat Parekh
	Suzlon Energy	XZULF	SUEL IN	Bharat Parekh
NEUTRAL				
	Adani Enterprises Ltd.	ANIEF	ADE IN	Bharat Parekh
	Gujarat Inds	GUJIF	GIP IN	Bharat Parekh
	Larsen & Toub -G	LTORF	LTOD LI	Bharat Parekh
	Larsen & Toubro	LTOUF	LT IN	Bharat Parekh
	Mundra Port SEZ	XMANF	MSEZ IN	Bharat Parekh
	Tata Pwr. Co.	XTAWF	TPWR IN	Bharat Parekh
UNDERPERFORM				
	ABB	ABVFF	ABB IN	Bharat Parekh
	Gail India	XGLAF	GAIL IN	Vidyadhar Ginde
	Gail Limited - G	GAILF	GAID LI	Vidyadhar Ginde
	GMR Infrastructure Ltd.	GMRLF	GMRI IN	Deepak Agrawala
	Neyveli Lignite	NEYVF	NLC IN	Bharat Parekh
	NTPC Ltd	NTHPF	NTPC IN	Bharat Parekh
RSTR				
	Bharat Heavy	BHHEF	BHEL IN	Bharat Parekh

*iQmethod*SM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill Amortization}$
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales}$	
EV / EBITDA	$\frac{\text{Enterprise Value}}{\text{Basic EBIT} + \text{Depreciation} + \text{Amortization}}$	

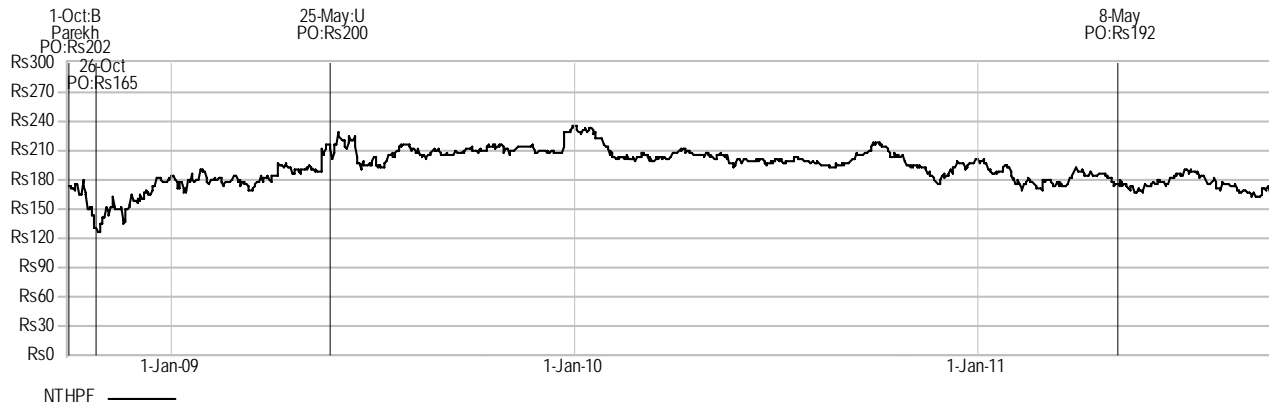
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NTHPF Price Chart



B : Buy, N : Neutral, U : Underperform, PO : Price objective, NA : No longer valid, NR: No Rating

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Investment Rating Distribution: Utilities Group (as of 01 Oct 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	82	45.30%	Buy	35	48.61%
Neutral	46	25.41%	Neutral	29	65.91%
Sell	53	29.28%	Sell	21	45.65%

Investment Rating Distribution: Global Group (as of 01 Oct 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	2073	54.13%	Buy	923	49.12%
Neutral	961	25.09%	Neutral	460	52.57%
Sell	796	20.78%	Sell	287	38.32%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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