

**Sector: Utilities**

Sensex:	13,913
CMP (Rs):	213
Target price (Rs):	181
Downside (%):	15.0
52 Week h/l (Rs):	223 / 113
Market cap (Rscr) :	175,422
6m Avg vol ('000Nos):	7,912
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

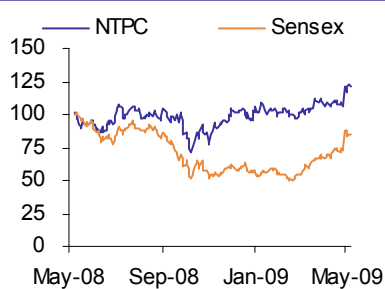
Prices as on 25 May, 2009

**Shareholding pattern**

<b>March '09</b>	<b>(%)</b>
Promoters	89.5
Institutions	7.0
Non promoter corp hold	1.2
Public & others	2.3

**Performance rel. to sensx**

(%)	1m	3m	1yr
NTPC	(11.4)	(38.1)	38.0
Tata Power	(1.1)	(11.7)	(9.0)
CESC	20.6	18.8	(12.4)
Reliance Infra	30.2	67.0	3.8

**Share price trend**


- ⊕ Generation at 57BU, higher by 6% yoy while average realizations were higher by only 0.7% yoy
- ⊕ Gas plants registered PAF of 84% due to lack of availability of gas and forced outages
- ⊕ Revenues higher by 14% yoy to Rs114bn against Rs100bn in the corresponding period last year, due to higher fuel cost
- ⊕ Adjusted PAT de-grows 32% yoy to Rs17bn against Rs25bn last year
- ⊕ Commissioned 1GW during the year and plans to commission 3.3GW during FY10
- ⊕ Most expensive utility, trades at 2.8x FY10E book, re-iterate SELL with an increased target price of Rs181/share, representing 15% downside

**Result table**

(Rs m)	Q4 FY09	Q4 FY08	% yoy	Q3 FY09	% qoq
Generation (BU)	57	54	5.7	52	8.0
Sales (BU)	54	47	13.5	49	9.2
<b>Realisation (Rs/unit)</b>	<b>2.13</b>	<b>2.13</b>	<b>0.3</b>	<b>2.29</b>	<b>(7.0)</b>
<b>Net sales</b>	<b>114,458</b>	<b>100,550</b>	<b>13.8</b>	<b>112,771</b>	<b>1.5</b>
Material cost	(80,158)	(67,999)	17.9	(70,004)	14.5
Personnel cost	(6,203)	(3,966)	56.4	(6,603)	(6.1)
Other overheads	(5,898)	(7,249)	(18.6)	(4,077)	44.7
<b>Operating profit</b>	<b>22,199</b>	<b>21,336</b>	<b>4.0</b>	<b>32,086</b>	<b>(30.8)</b>
<b>OPM (%)</b>	<b>19.4</b>	<b>21.2</b>	<b>(182) bps</b>	<b>28.5</b>	<b>(906) bps</b>
Depreciation	(7,264)	(6,071)	19.6	(5,590)	29.9
Interest	(5,671)	(8,074)	(29.8)	(5,076)	11.7
Other income	10,357	7,439	39.2	8,513	21.7
<b>PBT</b>	<b>19,621</b>	<b>14,630</b>	<b>34.1</b>	<b>29,933</b>	<b>(34.4)</b>
Tax	1,512	(1,235)	(222.4)	(7,424)	(120.4)
<b>Effective tax rate (%)</b>	<b>(7.7)</b>	<b>8.4</b>		<b>24.8</b>	
<b>Reported PAT</b>	<b>21,134</b>	<b>13,395</b>	<b>57.8</b>	<b>22,509</b>	<b>(6.1)</b>
Adjustments	(3,887)	8,371	(146.4)	(2,988)	30.1
<b>Adjusted PAT</b>	<b>17,246</b>	<b>21,766</b>	<b>(20.8)</b>	<b>19,521</b>	<b>(11.7)</b>
<b>Adj. PAT margin (%)</b>	<b>15.1</b>	<b>21.6</b>	<b>(658) bps</b>	<b>17.3</b>	<b>(224) bps</b>
EPS (Rs)	8.4	10.6	(20.8)	9.5	(11.7)

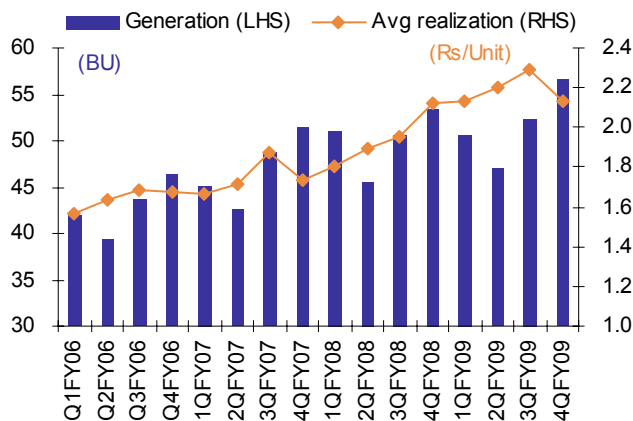
Source: Company, India Infoline Research

**Strong operational performance during the quarter**

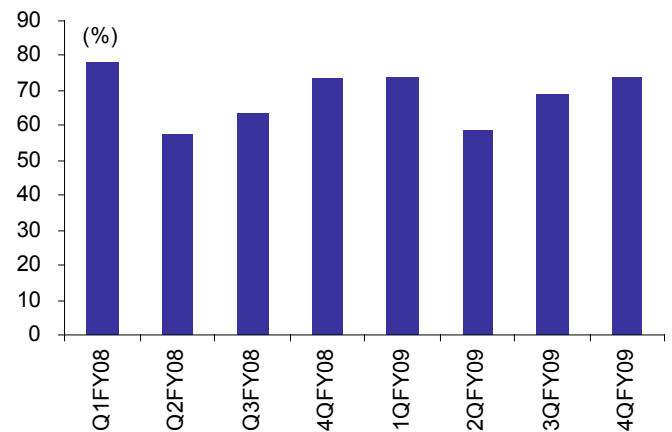
Q4 FY09 has been the best for the company till date with generation being at 57BU. NTPC also managed to operate at 97% and 74% PLF for its coal and gas plants respectively during the quarter. This has remained almost flattish year-on-year. Its gas plants PLF is marginally higher yoy.

Its gas plants reported a PAF of 84% lower than last year as the company was unable to receive gas and also due to forced outages. Such strong operational performance by the company should make it eligible for higher incentive income in future, especially from its gas plants - whose PAF the management believes will improve with more gas becoming available. Correspondingly its revenues were higher by 14% yoy to Rs114bn.

## Record high generation during the quarter



## Marginal improvement in gas plant PLF

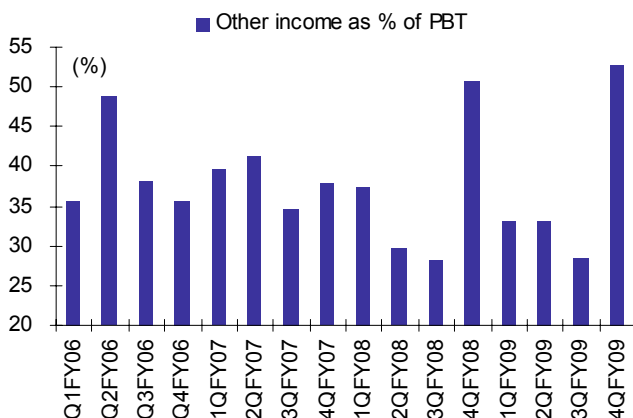


Source: Company, India Infoline Research

## Adjusted PAT lower by 21%

During the quarter the company's EBIDTA margin stood lower due to higher material cost and employee costs due to wage revision. Employee cost was higher by 56.4% yoy. However, this was offset by higher other income at Rs10bn. Other income was higher on account of interest received on high cash surplus with the company. Other income formed 53% of PBT. As the company commissioned Kahalgaon towards the end of FY09, its depreciation was higher. During the quarter the company received a tax refund of ~Rs6.6bn against a payment of Rs5.1bn, thus resulting into net refund of Rs1.5bn. Adjusted for (1) Rs3.2bn towards pervious years sales, (2) Rs1.4bn towards FERV and (3) Rs2.1bn towards wage revision resulted to a 21% decline in adjusted PAT for the quarter.

## Other income continues to aid profit growth



Source: Company, India Infoline Research

## Cost analysis

As a % of net sales	Q4 FY09	Q4 FY08	bps yoy	Q3 FY09	bps qoq
Material costs	70.0	67.6	241	62.1	796
Personnel Costs	5.4	3.9	147	5.9	(44)
Other overheads	5.2	7.2	(206)	3.6	154
<b>Total costs</b>	<b>80.6</b>	<b>78.8</b>	<b>182</b>	<b>71.5</b>	<b>906</b>

Source: Company, India Infoline Research

## Company targets to add 3.3GW during FY10, misses FY09 target by a huge margin

During FY09 the company targeted to add 2.8GW. Against this it has managed to add only 1GW, paltry 36% of the years target. It now plans to commission 3.3GW during FY10 and 17.9GW which is under construction by the end of XI<sup>th</sup> five year plan. NTPC plans to spend Rs245bn during FY10 to achieve its capacity addition target, higher by 62% yoy. With the company facing slippages already in the first two years of the plan period, we do not expect it to meet its XI<sup>th</sup> plan target of adding 22.4GW. Even as per CEA, NTPC should be able to commission ~15GW, much lower than the company's target.

**FY10 capacity addition target**

Project	Capacity (MW)
Sipat Stage-I	1,320
Kahalgaon Stage-II	500
Korba Stage-III	500
NCTPP Stage-II	980
<b>Total</b>	<b>3,300</b>

Source: Company, India Infoline Research

**FY10 capex is higher by 62% yoy**

Capex (Rs mn)	FY10	FY09	% yoy
NTPC	177,000	126,865	39.5
JV	68,258	24,971	173.3
<b>Total</b>	<b>245,258</b>	<b>151,836</b>	<b>61.5</b>

Source: Company, India Infoline Research

**Trades at 2.8x FY10 estimated book, re-iterate SELL**

With the recent run up in the stock price, we believe the stock is fully priced. At the current price, it trades at 2.8x FY10 estimated book. NTPC's capacity additions have also lagged its target, in line with CEA's recommendation we build in capacity addition of 15GW over FY08-12, lower than the company's target. We believe capacity addition will continue to remain a big risk for the company, however this will be partially offset with gas becoming available to it from the KG-D6 basin, thus allowing it to run its plants at significantly higher PLF's. Despite this we believe all is in the price, continue to recommend SELL with a target price of Rs181/share, downside of 15%.

**Financial summary**

Y/e 31 Mar (Rs m)	FY08	FY09E	FY10E	FY11E
Revenues	371,110	420,471	491,158	578,765
yoy growth (%)	13.3	13.3	16.8	17.8
Operating profit	115,593	105,212	159,711	186,009
OPM (%)	31.1	25.0	32.5	32.1
Pre-exceptional PAT	75,487	82,013	89,386	97,073
Reported PAT	74,148	82,013	89,386	97,073
yoy growth (%)	8.0	10.6	9.0	8.6
EPS (Rs)	9.2	9.9	10.8	11.8
P/E (x)	23.3	21.4	19.6	18.1
Price/Book (x)	3.3	3.0	2.8	2.6
EV/EBITDA (x)	16.4	18.7	12.8	11.5
Debt/Equity (x)	0.5	0.7	0.7	0.7
RoE (%)	14.9	14.8	14.9	14.9
RoCE (%)	15.7	12.9	15.3	15.3

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%

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