

2nd Aug, 2009**Issue Details**

Offer Price Band	Rs.30-36
Face Value	10
Shares Offered	1,67,73,74,015
Employee Reserved Portion	4,19,34,350
Net Issue to the Public	1,63,54,39,665
Type	Fresh Issue & offer for sale
Promoters	GOI
Listing (Stock Exchange)	NSE, BSE
Offer Open Date	07 th Aug, 2009
Offer Close Date	12 th Aug, 2009

Website: www.nhpcindia.com**Script Estimates**

Market Cap (Rs Crores)	36902-44283
EPS - FY10E (Rs)	1.11
P/E(x) - FY10E (fully diluted)	32.4
Market Cap/Sales(x) FY10E	12.1

Share Holding Pattern (%)

	Pre Offer	Post Offer
President of India, acting through MoP	99.99	86.36
Employees	Nil	0.34
Public	Nil	13.30

Financials (Rs Crores)

	FY07	FY08	FY09
Sales	1963.2	2475.7	2923.1
Expenditure	447.9	585.1	1006.0
EBITDA	1515.3	1890.6	1917.1
EBITDA margin (%)	77.2	76.4	65.6
PAT	923.3	1014.3	1096.5
Equity	11198.2	11182.5	11182.5
EPS (Rs)	0.82	0.91	0.98

Investors should read the risk factors and more detailed information in the Prospectus and the application form before investing in the issue.

Website: www.way2wealth.comEmail: research@way2wealth.com

Contact: 022 - 40192900

NHPC, a government of India enterprises established in 1975, is engaged in hydroelectric projects, from concept to commissioning. They have constructed 13 hydroelectric power stations with a total capacity of 5175 MW. NHPC is engaged in construction of 11 other projects which brings in installed capacity to 4622 MW, also they are awaiting approvals for joint venture projects for 6731 MW.

Objects of the Issue

The company intends to utilize the issue proceeds to part finance the construction and development costs of projects, namely, Subansiri Lower (2000MW), Uri-II (240MW), Chamera-III (231MW), Parbati-III (520MW), Nimoo Bazgo(45MW), Chutak (44MW), and Teesta Low Dam-IV (160MW). The rest of the proceeds are to be utilized for general corporate purposes.

Investment Rationale

- Established track record in implementing hydroelectric projects**
 NHPC has completed 13 projects with a installed capacity of 5175 MW that are located in geo-technically sensitive Himalayan terrain & in hospitable areas that are often difficult to access. They are predominantly having projects in North, west, central and eastern India and are also working on international projects in Bhutan, Nepal and Myanmar.
- Strong Operating Performance**
 NHPC's efficiency is being measured by Capacity index and generating targets. They have a cumulative Capacity index of 93.61% which is higher than the index level required under CERC regulations which entitles them for certain incentive payments.
- Long term power purchase agreements with clients**
 The company enters into power selling agreements at very early stage of the project itself. In FY09 they derived 3436.22 cr i.e 84.81% of total income from sale of energy to SEB's and successor entities. Payments are secure through LC pursuant to tripartite agreement between GOI, RBI and State. They have powers to regulate supply to defaulting state or recovering through Gol Central Plan assistance fund.

Investment Concerns

- Power project development being a highly capital intensive industry, company is exposed to financial obstruction, labour availability, land availability, necessary regulatory approvals and even to geological, hydrological and climatic changes.
- There is usually long gestation period and substantial capital outlay before realizing returns on investments.
- Funding of expansion plans the servicing of debt thereafter
- Any change in policy decision related to tariff, environment

Valuations & Advise

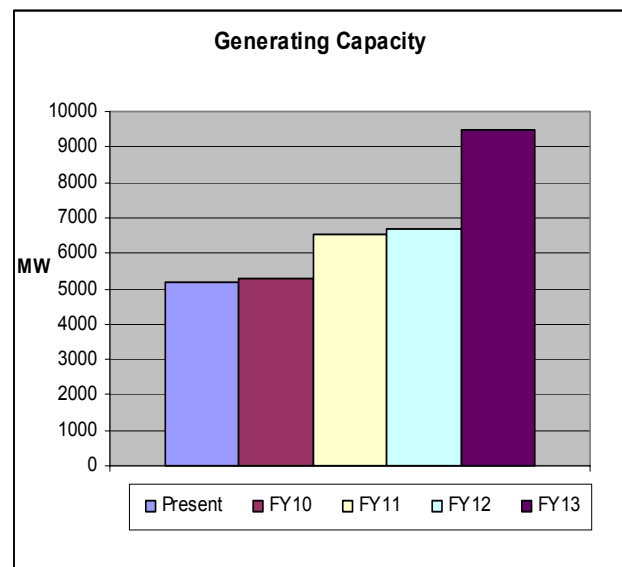
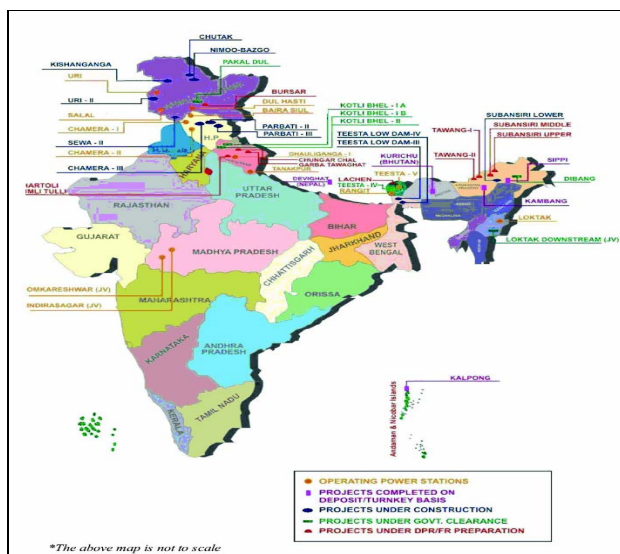
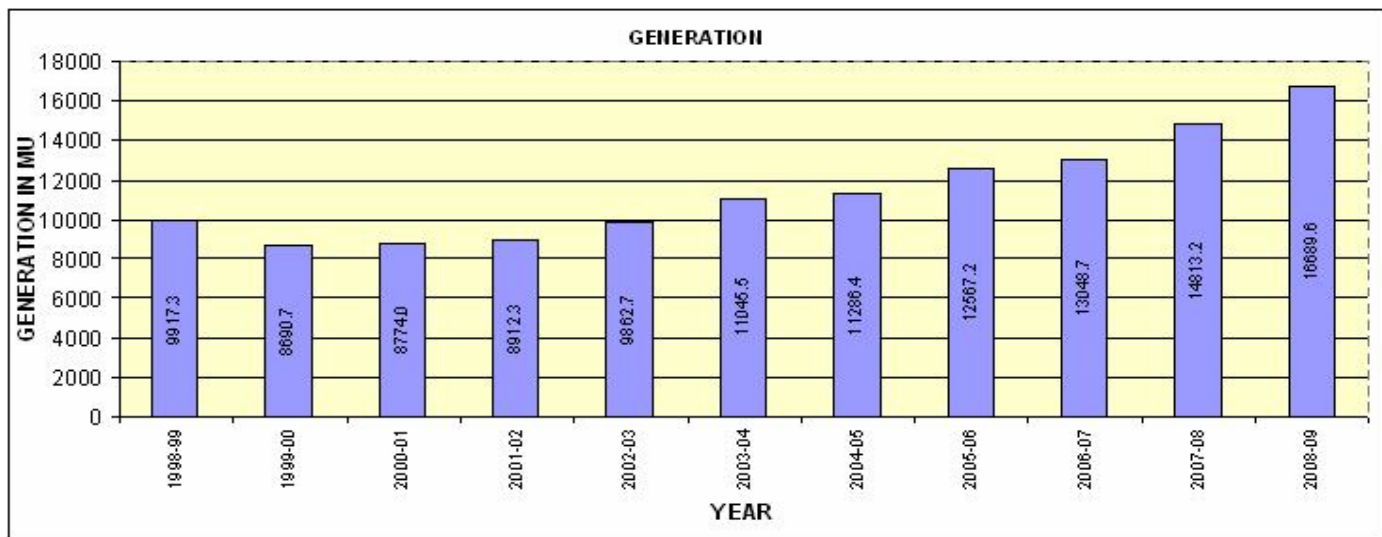
NHPC carry's a legacy of Gol and is one of the largest hydropower development organization in the country. Similar status listed PSU's are having history of remarkable debut on exchanges. At upper price band of 36, the company is quoting at 32.4x its FY10 estimated earnings of Rs 1.11. Although its not cheap but keeping in mind the track record of hydroelectric projects, incentive earning potential, emerging consulting division and on the backdrop of the overall power sector dynamics of the Indian economy we advise investors to **Subscribe** to the issue to capitalize on the long-term potential of the company.

Background & Business

NHPC, a government of India enterprises established in 1975, is engaged in hydroelectric projects, from concept to commissioning. They design, development, construction and undertake operation of hydroelectric projects. NHPC have developed and constructed 13 hydroelectric power stations and current total installed capacity is 5,175 MW and generating capacity of 5,134.2 MU, respectively, which takes into account a downgrade of the capacity ratings of the Loktak and Tanakpur power stations by the CEA. This total installed capacity and total generating capacity includes two power stations with a combined capacity of 1,520 MW, constructed and operated through Subsidiary, NHDC.

The power stations and hydroelectric projects are located predominantly in the North and North East of India, in the states of Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Arunachal Pradesh, Assam, Manipur, Sikkim and West Bengal. The Company and Subsidiary generated 16,582.72 MU and 2,368.45 MU of electricity, respectively, in Fiscal 2009. In Fiscal 2009, the Company and Subsidiary sold 14,587.88 MU and 2,345.01 MU of electricity, respectively.

NHPC is presently engaged in the construction of 11 additional hydroelectric projects, which are expected to increase its total installed capacity by 4,622 MW. We are awaiting government sanction for a further five projects with an anticipated capacity of 4,565 MW. In addition, we are awaiting government sanction for certain joint venture projects with an anticipated capacity of 2,166 MW. Survey and investigation works are being carried out to prepare project proposal reports for nine additional projects, totaling 7,255 MW of anticipated capacity.



Objects of the Issue

The objects of the Fresh Issue are:

- (a) To utilise the proceeds of the Fresh Issue, to part finance the construction and development costs of projects as under:

S. No.	Identified Project	Location	Generating Plant Capacity (MW)
1.	Subansiri Lower	Arunachal Pradesh	2,000 (8 x 250)
2.	Uri II	Jammu & Kashmir	240 (4 x 60)
3.	Chamera III	Himachal Pradesh	231 (3 x 77)
4.	Parbati III	Himachal Pradesh	520 (4 x 130)
5.	Nimoo Bazgo	Jammu & Kashmir	45 (3 x 15)
6.	Chutak	Jammu & Kashmir	44 (4 x 11)
7.	Teesta Low Dam IV	West Bengal	160 (4 x 40)

(Rs. in crore)

S. No.	Name of Identified Project	Funds Requirement Approved Cost (as per CCEA)	Funding Plan				Amount deployed as of June 30, 2009*	Sources of Funds Already Deployed		
			Debt	Subordinate Debt from GOI	Equity	Internal Accruals		Debt**	Equity from GOI	Internal Accruals@
1.	Subansiri Lower	6,285.33	4,399.73	-	1,885.60	-	3,170.58	728.41	1,448.13	994.04
2.	Uri II	1,724.79	1,207.35	-	517.44	-	838.88	230.78	136.24	471.86
3.	Chamera III	1,405.63	983.94	-	421.69	-	867.91	278.50	173.60	415.81
4.	Parbati III	2,304.56	1,613.19	-	591.37	100.00	755.49	311.53	130.71	313.25
5.	Nimoo Bazgo	611.01	157.71	270.00	183.30	-	286.64	84.78	52.93	148.93
6.	Chutak	621.26	70.88	364.00	186.38	-	262.13	70.00	41.97	150.16
7.	Teesta Low Dam IV	1,061.38	742.96	-	238.82	79.60	517.08	346.00	76.50	94.58
	Total	14,013.96	9,175.76	634.00	4,024.60	179.60	6,698.71	2,050.00	2,060.08	2,588.63

* As certified by GSA & Associates, Chartered Accountants vide their certificate dated July 17, 2009.

** Including subordinate debt from the GoI.

§ This includes subordinate debt of Rs. 34 crore received from GoI

S. No.	Particulars	Amount (Rs. In crore)
1.	Total Fund Requirement for the Identified Projects	14,013.96
2.	Less: Amount deployed as of June 30, 2009	6698.71
3.	Remaining Funds Requirement	7,315.25
4.	Undrawn Debt facilities (Net of Internal Accruals to be recouped) as of June 30, 2009*	3,198.91
5.	Balance Debt to be Tied-up	2,151.82
6.	Proceeds of the Fresh Issue**	●
7.	Amount to be funded out of Internal Accruals**	●

*Undrawn debt facility from LIC & PFC (net of internal accruals to be recouped): Rs. 2,598.91 crore and undrawn subordinate debt from GoI: Rs. 600.00 crore.

**To be incorporated at the time of filing of the Prospectus.

- (b) To utilise the remaining portion of the Net Proceeds of the Fresh Issue for general corporate purposes; and
 (c) to enhance visibility and brand name through listing on stock exchange.

Investment Rationale

- Established track record in implementing hydroelectric projects

NHPC has completed 13 projects with a installed capacity of 5175 MW that are located in geo-technically sensitive Himalayan terrain & in hospitable areas that are often difficult to access. NHPC completed the Chamera-II and Dhauliganga-I power stations and Indira Sagar and Omkareshwar Projects ahead of schedule. They are predominantly having projects in North, west, central and eastern India and are also working on international projects in Bhutan, Nepal and Myanmar. Below is the list of completed projects by NHPC.

(Rs. in crore)

Power Station	State	Installed Capacity (MW)	Year of Commissioning	Revenue Generated in Fiscal 2009 (Rs. In crore)
Baira Siul	Himachal Pradesh	180	1981	62.26
Loktak	Manipur	105 ⁽¹⁾	1983	52.48
Salal	Jammu & Kashmir	690	1987/1996	221.41
Tanakpur	Uttarakhand	120 ⁽²⁾	1992	51.98
Chamera I	Himachal Pradesh	540	1994	318.43
Uri I	Jammu & Kashmir	480	1997	399.18
Rangit	Sikkim	60	1999	53.82
Chamera II	Himachal Pradesh	300	2004	319.62
Dhauliganga I	Uttarakhand	280	2005	225.31
Dulhasti	Jammu & Kashmir	390	2007	700.59
Teesta V	Sikkim	510	2008	283.78
Total		3,655		2,688.86
<i>Completed Projects with NHDC</i>				
Indira Sagar	Madhya Pradesh	1,000	2005	486.92
Omkareshwar	Madhya Pradesh	520	2007	269.00
Total		1,520		755.92

⁽¹⁾ Three units (3x35 MW) of the power station have been temporarily derated to a total of 90 MW (3x30 MW) at our request by the CEA until December 31, 2008; March 31, 2009 and November 30, 2009 respectively by way of its letter no. CEA/PLG/DM/545(Derating)/Loktak/2008 dated July 3, 2008. We have further requested from the CEA by way of our letter no. NH/O&M/LOK/01/2588-90 dated June 12, 2009 an extension of the derating for all three units until July 15, 2009, February 28, 2010 and June 30, 2010, respectively.

⁽²⁾ Derated to 94.2 MW from September 1996.

- **Strong Operating Performance**

NHPC measure its efficiency by reference to their average capacity index and generation targets achieved. In FY 2009, Company generated a total of 16,582.72 MUs of electricity and their cumulative capacity index stands at 93.61%, which is higher than the cumulative capacity index levels required under CERC regulations and internally also higher efficiency parameters, which pursuant to the tariff policy in place for FY05-FY09, entitled us to certain incentive payments. They monitor, renovate and modernise its power stations, which increases the efficiency of plants and equipment. The ongoing monitoring and maintenance techniques offer them a competitive advantage in an industry where reliability and maintenance costs are a significant determinant of profitability.

- **Long term power purchase agreements with clients**

The company enters into power selling agreements at very early stage of the project itself. In FY09 they derived 3436.22 cr i.e 84.81% of total income from sale of energy to SEB's and successor entities. Payments are secure through LC pursuant to tripartite agreement between GOI, RBI and State. They have powers to regulate supply to defaulting state or recovering through Gol Central Plan assistance fund.

Investment Concerns

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- There is usually long gestation period and substantial capital outlay before realizing returns on investments.
- Funding of expansion plans, the servicing of debt thereafter.
- Any change in policy decision related to tariff, environment etc.

Valuations

NHPC carry's a legacy of Gol and is one of the largest hydropower development organization in the country. Similar status listed PSU's are having history of remarkable debut on exchanges. At upper price band of 36, the company is quoting at 32.4x of FY10 estimated earnings. Although its not cheap but keeping in mind the track record of hydroelectric projects, incentive earning potential, emerging consulting division and on the backdrop of the overall power sector dynamics of the Indian economy we advise investors to **Subscribe** to the issue to capitalize on the long-term potential of the company.

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