



LONG TERM INVESTMENT CALL



# Result Analysis | Q3FY10 Update

10<sup>th</sup> Feb '09

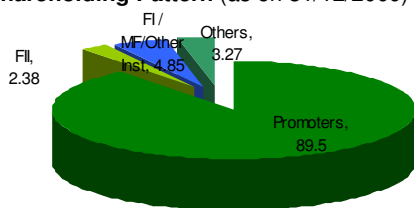
## NTPC Ltd.

Hold

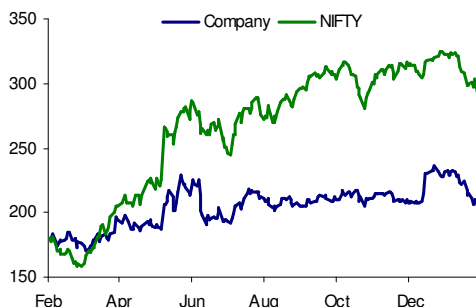
Industry	Oil & Gas
CMP	INR 200
52 week High/Low	INR 241 / 167
Market Cap (INR Mn)	INR 1682074
Avg Monthly Volumes	799938

Source: Unicon research

### Shareholding Pattern (as on 31/12/2009)



### Stock Performance (Last one year)



Source: Unicon research

### Performance (%)

	1M	3M	12M
Company	-12.3	-2.9	13.3
NIFTY	-10.1	-1.0	60.8

Source: Unicon research

Q3FY10 (INR Mn)	Unicon Estimates	Actual Results
Revenues	120,556	117,092
EBITDA	41,040	38,907
PAT	22,577	23,650

Source: Unicon research

### Q3'10 Topline remains flat; Margins Improve

#### NTPC remains flat in earnings

- NTPC Ltd.'s topline was slightly lower than than Unicon's estimates.
- EBIDTA margins were slightly lower than estimates, while PAT margins were higher than Unicon's Estimates.
- Income was INR 117.1 bn, 2.9% below our expectations of INR 120 bn for Q3FY10.
- EBIDTA margins at 33.2% were 81 basis points (bps) lower than Unicon expectations of 34%.
- EBIDTA was 5% below our estimates due to lower topline and lower margins.
- PAT margins were 20%, higher by 147 basis points than Unicon's estimates of 19%.
- Net Profit was 4.8% above our expectation of INR 22.6 bn.

### Financial Analysis

- Power generation grew by 3.7% on YoY basis to 54 BU for Q3FY10, and by 7.8% on QoQ basis. This was on account of improved gas supply, higher capacity and better operational performance.
- Total sales during the quarter were flat on YoY basis at INR 117 bn for Q3FY10, as compared to INR 118 bn for Q3FY09. This was due to lower realisations on account of lower fuel costs.
- EBIDTA margins improved by 124 basis points on YoY basis to 33% for Q3FY10 against 32% for the same period last year. Improvement is due to higher operational efficiency and lower fuel costs.
- EBIDTA increased by 3% on YoY basis to INR 39 bn for Q3FY10 against INR 38 bn for Q3FY09.
- Net profit margins have also improved in line with EBIDTA margins by 12 basis points to 20% for Q3FY10 against 19% for Q3FY09.
- Net profit after tax improved by 5% to INR 23.6 bn for the period under review against INR 22.5 bn for the same period one year before.

### Valuation & Outlook:

With only 1GW of power generation capacity having implemented in first 9 months against target of 3.3GW for FY10, focus will be on capacity addition. NTPC currently has 18 GW under construction, out of which it's planning to commission 4GW per year, starting from FY11. If the company is able to achieve these targets of ordering and execution, it would be able to achieve total capacity of 75 GW by FY17.

Trading at a CMP of INR 200.5, the stock is discounted at 19.05x its EPS on TTM basis and at 2.8x its book value per share. NTPC generates ~ one-fourth of power in India, with ~ one-fifth of the country's installed capacity. It's expected to maintain the leadership position in the power generation, along with high operational efficiency.

### Analyst

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Considering the tremendous growth opportunities in the power sector, NTPC's long track record, stable business model with backing of central government, we recommend "Hold" rating for the stock.



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## NTPC Ltd.

(INR in mn, except EPS)

	Q3 FY 10	Q2 FY 10	Q-o-Q	Q3 FY 09	Y-o-Y
Net Revenue	117092	112526	4%	118631	-1%
Operating Expenditure	78185	75691	3%	80685	-3%
EBITDA	38907	36836	6%	37946	3%
EBITDA (%)	33%	33%	49 bps	32%	124 bps
Depreciation	6614	6438	3%	5590	18%
EBIT	32294	30398	6%	32356	0%
EBIT (%)	28%	27%	57 bps	27%	1%
Interest	3418	5407	-37%	5076	-33%
Other Income	2537	2712	-6%	2653	-4%
Tax Provision	7763	6183	26%	7424	5%
Tax Rate (%)	25%	22%	239 bps	25%	-9 bps
Reported PAT	23650	21520	10%	22509	5%
PAT	23650	21520	10%	22509	5%
PAT (%)	20%	19%	107 bps	19%	122 bps
EPS	2.87	2.61	10%	2.73	5%

Source: Capitaline, Unicon Research



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## NTPC Ltd.

### Unicon Investment Ranking Methodology

Rating	Buy	Accumulate	Hold	Reduce	Sell
Return Range	>= 20%	10% to 20%	-10% to 10%	-10% to -20%	<= -20%

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