



National Thermal Power Corporation

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,694	NATP IN
	REUTERS CODE
S&P CNX: 5,304	NTPC.BO

23 April 2010

Neutral

Previous Recommendation: Neutral

Rs205

Equity Shares (m)	8,245.5
52-Week Range	242/180
1,6,12 Rel. Perf. (%)	-1/-9/-52
M.Cap. (Rs b)	1,690.3
M.Cap. (US\$ b)	38.0

YEAR END *	NET SALES (RS M)	PAT * (RS M)	EPS* (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	419,238	80,824	9.8	9.0	20.9	2.9	14.7	12.9	4.1	16.5
03/10E	464,513	87,043	10.6	7.7	19.4	2.7	14.6	14.5	3.8	13.2
03/11E	584,023	91,415	11.1	5.0	18.5	2.5	14.0	16.4	3.0	10.7
03/12E	658,888	104,324	12.7	14.1	16.2	2.3	14.6	14.0	2.7	10.7

* Pre Exceptional Earnings

- FY10 provisional results in line with estimates:** NTPC reported FY10 provisional net profit of Rs86b (up 6% YoY), v/s our estimate of Rs87.8b. Reported net profit includes several extra-ordinaries (Prior period tariff arrears, FERV adjustments, etc) and thus we await further details on the full year numbers to derive at adjusted profit. PLF for coal based power projects has declined from 92.2% in FY08 to 91.1% in FY09 and 90.8% in FY10, largely due to decline in imported coal availability at 6.3m tons vs initial targets of 12.5m tons.
- Capacity addition at 1.6GW in FY10, target of 4.2GW in FY11E:** During FY10, NTPC's capacity addition stood at 1.6GW (actual capacity addition of 990MW, plus 570MW of Ratnagiri project) vs management guidance of 3,300 MW. For FY11, NTPC expects to add 4.2GW (vs capacity addition of 4.3GW over FY08-10E). This is a meaningful ramp up over historical averages. We expect NTPC to add ~10GW of capacity in FY11 / FY12 (vs 10GW of capacity addition over FY03-10), comprising of 4.2GW in FY11 and 5.9GW in FY12.
- Projects under construction at 17.8GW (stagnant since FY08); project award pipeline robust during FY11/12:** As on March-10, projects under construction stand at 17.8GW, largely stable compared with 16.9GW in end FY08 and 17.9GW in end FY09. Project award pipeline in FY11 remains robust, with bids invited for 7.1GW of capacity. Projects for which Feasibility Report is approved stands at 4.3GW and is prepared / under preparation for ~15GW. During FY10, NTPC has awarded BTG contracts for 890MW of capacity (2GW in FY09); and we expect BTG awards for ~25-30GW of capacity in FY11/12E, which again will be a meaningful ramp-up.
- FY10 actual capex at Rs101b, significantly below target of Rs177b; FY11E planned capex at Rs223b (up 120% YoY):** During FY10, NTPC incurred capex of Rs101b (vs Rs127b in FY09 down 20% YoY). This compares with target of Rs148b as per revised estimate for FY10E and earlier target of Rs177b. For FY11E, NTPC has now planned capex of Rs223b on standalone basis and Rs291b on consolidated basis. We believe this is very crucial towards achieving planned capacity addition in FY11 and FY12 and given slippages in FY10. **Neutral.**

QUARTERLY PERFORMANCE

(RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	95,395	96,614	112,771	114,458	120,027	107,828	111,837	124,821	419,237	464,513
Change (%)	6.4	20.5	20.9	6.5	25.8	11.6	-0.8	9.1	8.5	10.8
EBITDA	24,218	25,476	32,086	22,199	31,757	32,137	33,653	36,895	103,978	134,442
Change (%)	-10.1	-7.3	8.1	-21.3	31.1	26.1	4.9	66.2	-8.9	29.3
Depreciation	5,524	5,267	5,590	7,264	6,128	6,438	6,614	7,997	23,645	27,176
Interest	4,219	5,264	5,076	5,671	4,447	5,407	3,418	5,187	20,229	18,458
Other Income	7,172	7,448	8,513	10,357	7,763	7,410	7,791	6,889	33,490	29,853
PBT	21,646	22,394	29,933	19,621	28,945	27,703	31,412	30,601	93,595	118,661
Tax	4,381	1,289	7,424	-1,512	7,009	6,183	8,862	8,742	11,582	30,796
Effective Tax Rate (%)	20.2	5.8	24.8	-7.7	24.2	22.3	28.2	28.6	12.4	26.0
Reported PAT	17,265	21,105	22,509	21,134	21,936	21,520	22,550	21,859	82,013	87,864
Adj. PAT (Pre Exceptional)	18,973	18,272	20,378	23,885	22,790	19,845	20,446	23,963	81,507	87,043
Change (%)	7.5	12.3	2.4	9.7	20.1	8.6	0.3	0.3	7.7	6.8

E: MOSL Estimates

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NTPC FY10 provisional results in-line with estimates; capacity addition at 1.6GW in FY10, target of 4.2GW in FY11E; 120% YoY increase in FY11E capex is key positive; maintain Neutral

FY10 provisional results in line with estimates

- NTPC reported FY10 provisional net profit of Rs86b (up 6% YoY), v/s our estimate of Rs87.8b (adjusted net profit of Rs87b). Reported net profit includes several extraordinary items (Prior period tariff arrears, FERV adjustments, etc) and thus we await further details on the full year numbers to derive at adjusted profit. For instance, during 9MFY10, the reported net profit stood at Rs66b, vs adjusted net profit of Rs63b.
- During FY10, generation grew 6% YoY to 219BUs with coal based power project PLF at 90.8% (vs 91.1% in FY09). PLF for Gas based project stood at 78.4%, v/s 67% in FY09.

Fuel availability issues continue in FY10; increased availability of imported coal and domestic gas could lead to higher PLF in FY11

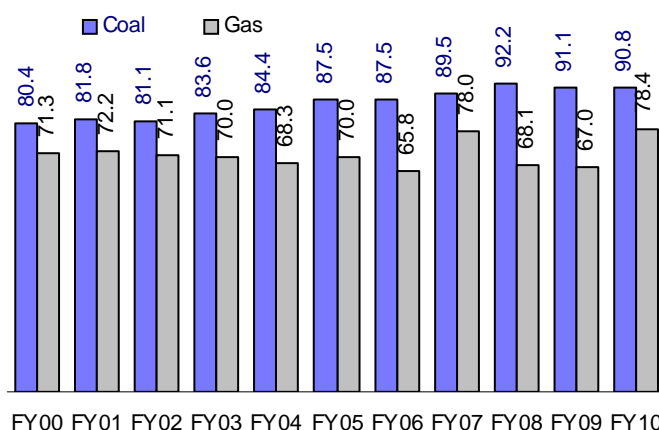
- In FY10, NTPC received 130m tons of coal supply through domestic long term linkages (up 4.5% YoY) and 6.3m tons of imported coal (vs 5.4m tons in FY09 and compares with targeted import of 12.5m ton in FY10). PLF for coal based power projects for NTPC has declined from 92.2% in FY08 to 91.1% in FY09 and 90.8% in FY10, largely due to decline in imported coal availability vs initial targets. NTPC plans to import 14m tons of coal in FY11E, to bridge the gap in terms of domestic fuel availability.
- On Gas supply front, NTPC resorted to 4.9mmscmd of spot purchase of R-LNG, leading to overall availability of 13.9mmscmd, v/s 10.8mmscmd in FY09. This is reflected in improved operating performance of Gas based projects with PLF of 78.4% in FY10, v/s 67% in FY09. We believe that the PLFs could improve further in FY11, as domestic gas availability improves.

FUEL SUPPLY STATUS (COAL IN M TON AND GAS IN MMSCMD)

	FY09	FY10	REMARKS
Coal-Domestic	124.3	129.9	Fuel Supply Agreement (FSA) with Coal India (CIL) for 90% of required quantity of coal for 12 of its 15 stations.
Coal-Imported	5.4	6.3	Plans to import 14m tons in FY11E
Total	129.7	136.2	
Gas-APM	8.7	9.1	Gas supply agreement for 11mmscmd compared to its requirement of 14mmscmd
Gas-Spot RLNG	2.1	4.5	Plans to purchase 3-4mmscmd on spot
Gas-KG D6	0.0	0.4	
Total	10.8	13.9	

Source: Company

TREND IN PLF FOR COAL AND GAS BASED PROJECTS (%)



Source: Company

Coal import of 6.3m ton in FY10, target of 14m tons in FY11; Gas supply to improve significantly

The management plans to import 14m ton of coal in FY11 through three routes/ modes, namely import through PSUs canalizing import of coal, Coal India Limited and direct import from foreign coal producers. Management has stated Tender documents for import of coal by Coal India Limited is reportedly ready and NTPC was contemplating import of 4m tons coal for the year FY11 through them.

For its gas fired plant NTPC it has signed gas supply agreement of 11mmcmd out of requirement of 14mmcmd requirement in FY11 and plans to procure 3-4mmcmd of gas on spot basis to address fuel supply issue.

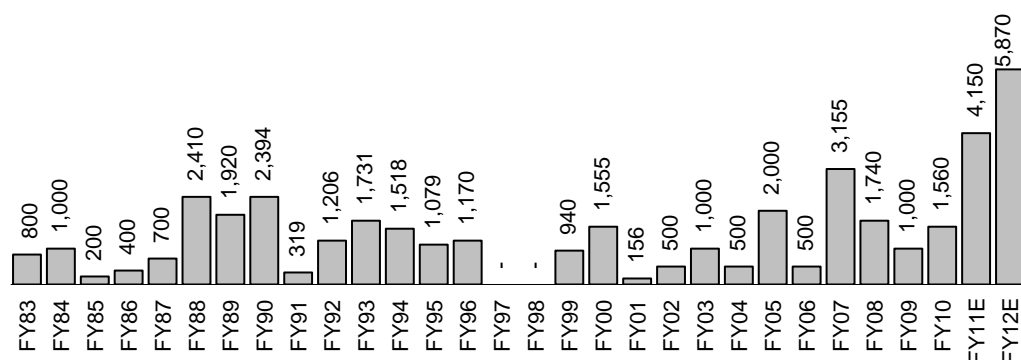
Capacity addition at 1.6GW in FY10, target of 4.2GW in FY11E (meaningful ramp up)

- During FY10, NTPC's capacity addition stood at 1,560MW (actual capacity addition of 990MW, plus 570MW of Ratnagiri project transferred to a consortium including NTPC) vs management guidance of capacity addition of 3,300 MW. 1,490MW of capacity has been declared commercial during FY10.
- For FY11, the company expects to add 4,150MW (vs total capacity addition of 4,300MW over FY08-10E). This is a meaningful ramp up over historical averages. We expect NTPC to add ~10GW of capacity in FY11 / FY12 (vs 10GW of capacity addition over FY03-10), comprising of 4.2GW in FY11 and 5.9GW in FY12. This represents 70% of total planned capacity addition in the Eleventh plan period.
- Also, CEA expects NTPC to commission 13GW of projects in Eleventh plan period of FY08-12 (v/s our estimate of 13.8GW); indicating meaningful slippages vs initial estimates to add 22GW of capacity in Eleventh Plan.

CAPACITY DECLARED COMMERCIAL IN FY10		EXPECTED CAPACITY ADDITION IN FY11	
PROJECT	CAPACITY (MW)	PROJECT	CAPACITY (MW)
Kahalgaon Unit-7	500	Sipat Stage-I, Unit-1	660
Dadri Unit-5	490	Jhajjar, Unit-1 & 2	1,000
Bhilai Unit-2	250	Korba Stage –III, Unit-7	500
Bhilai Unit-1	250	NCTPP Stage – II, Unit-6	490
		Simhadri, Stage-II, Unit-3 & 4	1,000
		Farakka, Stage-III, Unit-6	500
Total	1,490	Total	4,150

Source: Company

EXPECT MEANINGFUL RAMP UP IN NTPC'S CAPACITY COMMISSIONING FROM FY11 ONWARDS (MW)



Source: Company

Projects under construction at 17.8GW (largely stagnant since FY08); project award pipeline robust during FY11/12

- As on March-10, NTPC's installed capacity stands at 31.7GW, while projects under construction stand at 17.8GW. Projects under construction have been largely stable at 16.9GW in end FY08 and 17.9GW in end FY09.
- Project award pipeline in FY11 remains robust, with bids invited for 7.1GW of capacity (including 5.9GW on bulk tendering). Projects for which Feasibility Report have been approved stands at 4.3GW (vs NIL in FY09) and projects for which Feasibility Report has been prepared / under preparation stands at ~15GW. During FY10, NTPC has awarded BTG contracts for only 890MW of capacity (and 2GW in FY09); and we expect BTG awards for ~25-30GW of capacity in FY11/12E, which again will be a meaningful ramp-up. This will also enable greater execution time of 60+ months for Twelfth Plan (FY13-17E) projects, limiting execution delays.

NTPC TARGETS 75GW CAPACITY BY FY17

	CAPACITY (GW)	COMMENTS
Current Capacity (including JV)	31.7	Current capacity including JVs
Under Construction	17.8	Part of planned capacity addition for 11th plan period; some slippages however likely
Bids Invited	7.0	Includes bulk tendering of 5.9GW
Total	56.5	
Feasibility Report Ready	4.3	
Feasibility Report under Preparation	15.0	
Total	75.8	

Source: Company

PROJECTS UNDER CONSTRUCTION (MW)

PROJECT	MAR-08	MAR-09	MAR-10
KAHALGAON-II, PHASE-II	500	500	-
SIPAT II	500		
SIPAT-I	1,980	1,980	1,980
BARH -I	1,980	1,980	1,980
BHILAI JV	500		
KORBA-III	500	500	500
NCTPP-II, DADRI	980	980	490
FARAKKA-III	500	500	500
KOLDAM	800	800	800
LOHARINAG PALA	600	600	600
TAPOVAN VISHNUGAD	520	520	520
SIMHADRI-II	1,000	1,000	1,000
INDIRA GANDHI STPP AT JHAJJAR (JV WITH HPGCL & IPGCL)	1,500	1,500	1,500
VALLUR STAGE-I PHASE-I (JV WITH TNEB)	1,000	1,000	1,500
NABINAGAR-JV WITH RAILWAYS	1,000	1,000	1,000
BONGAIGAON	750	750	750
MAUDA	1,000	1,000	1,000
BARH-II	1,320	1,320	1,320
RIHAND-III		1,000	1,000
VINDHYACHAL-IV		1,000	1,000
MUZAFFARPUR II, JV with BSEB			390
Total	16,930	17,930	17,830

Source: Company

FY10 actual capex at Rs101b, significantly below target of Rs177b; FY11E planned capex at Rs223b (up 120% YoY)

- During FY10, NTPC incurred capex of Rs101b (vs Rs127b in FY09 down 20% YoY). This compares with target of Rs148b as per revised estimate for FY10E and earlier target of Rs177b. For FY11E, NTPC has now planned capex of Rs223b on standalone basis and Rs291b on consolidated basis (considering the project capex of Subsidiaries/JVs), indicating accelerated execution on projects under construction.
- We believe this is very crucial towards achieving planned capacity addition in FY11 and FY12 and given slippages in FY10.

Valuations and view

We expect NTPC to report net profit of Rs87b in FY10 (up 7.7% YoY), Rs91.4b in FY11 (up 5% YoY) and Rs104b in FY12 (up 14% YoY). At the CMP of Rs205/sh, NTPC quotes at PER of 19.4x FY10, 18.5x FY11 and 16.2x FY12E. P/BV stands at 2.7x FY10E, 2.5x FY11E and 2.3x FY12E. Maintain **Neutral**.

Financials and valuations

INCOME STATEMENT		(Rs Million)			
Y/E MARCH	2009	2010E	2011E	2012E	
Net Sales	419,238	464,513	584,023	658,888	
Change (%)	13.0	10.8	25.7	12.8	
EBITDA	105,062	134,442	180,525	197,346	
Margin (%)	25.1	28.9	30.9	30.0	
Depreciation	23,645	27,176	29,648	35,544	
EBIT	81,417	107,266	150,877	161,802	
Interest	20,229	18,458	24,780	33,421	
Other Income - Rec.	31,723	29,853	23,772	16,039	
Profit before Tax	92,911	118,661	149,870	144,420	
Current Tax	11,582	30,796	38,454	40,094	
Tax Rate (%)	12.5	26.0	25.7	27.8	
Reported PAT	81,330	87,864	111,415	104,324	
EO Expense / (Income)	506	822	20,000	0	
Adjusted PAT	80,824	87,043	91,415	104,324	
Change (%)	6.8	7.7	5.0	14.1	
Margin (%)	19.3	18.7	15.7	15.8	

BALANCE SHEET		(Rs Million)			
Y/E MARCH	2009	2010E	2011E	2012E	
Equity Share Capital	82,455	82,455	82,455	82,455	
Total Reserves	491,246	540,310	602,525	660,781	
Net Worth	573,701	622,765	684,980	743,236	
Total Loans	365,038	335,712	490,651	625,534	
Capital Employed	935,628	955,366	1,172,520	1,365,658	
Gross Block	623,530	677,596	805,790	1,113,677	
Less: Accum. Deprn.	294,153	321,329	350,977	386,521	
Net Fixed Assets	329,377	356,267	454,813	727,156	
Capital WIP	264,049	330,596	481,112	450,952	
Investments	139,835	238,346	235,499	129,166	
Curr. Assets	309,253	156,968	197,634	261,893	
Inventory	32,434	31,816	40,002	45,129	
Account Receivables	35,842	38,179	48,002	54,155	
Cash and Bank Balance	153,726	12,173	7,896	118,769	
Others	78,261	89,081	102,641	110,709	
Curr. Liability & Prov.	106,886	126,811	196,539	203,509	
Account Payables	74,391	94,139	160,130	166,670	
Provisions	32,495	32,672	36,409	36,839	
Net Current Assets	202,367	30,157	1,095	58,384	
Appl. of Funds	935,628	955,366	1,172,520	1,365,658	

E: MOSL Estimates

RATIOS					
Y/E MARCH	2009	2010E	2011E	2012E	
Basic (Rs)					
EP S (Adjusted)	9.8	10.6	11.1	12.7	
Cash EPS	12.7	13.9	14.7	17.0	
BV/Share	69.6	75.5	83.1	90.1	
DPS	3.6	4.1	5.2	4.8	
Payout (%)	42.7	44.2	44.2	44.2	
Valuation (x)					
P/E	20.9	19.4	18.5	16.2	
Cash P/E	16.2	14.8	14.0	12.1	
P/BV	2.9	2.7	2.5	2.3	
EV/Sales	4.1	3.8	3.3	3.2	
EV/EBITDA	16.5	13.2	10.7	10.7	
Return Ratios (%)					
RoE	14.7	14.6	14.0	14.6	
RoCE	12.9	14.5	16.4	14.0	
Working Capital Ratios					
Fixed Asset Turnover (x)	0.7	0.7	0.7	0.6	
Asset Turnover (x)	0.4	0.5	0.5	0.5	
Debtor (Days)	31	30	30	30	
Inventory (Days)	28	25	25	25	
Working Capital Turnover (Da)	35	25	-4	4	
Leverage Ratio (x)					
Current Ratio	2.9	1.2	1.0	1.3	
Interest Cover Ratio	4.0	5.8	6.1	4.8	
Debt/Equity	0.6	0.5	0.7	0.8	

CASH FLOW STATEMENT		(Rs Million)			
Y/E MARCH	2009	2010E	2011E	2012E	
Oper. Profit/(Loss) before Tax	92,911	118,661	149,870	144,420	
Interest	20,229	18,458	24,780	33,421	
Depreciation	23,645	27,176	29,648	35,544	
Direct Taxes Paid	-11,582	-30,796	-38,454	-40,094	
(Inc)/Dec in WC	-12,794	7,386	38,159	-12,379	
CF from Operations	112,409	140,884	204,003	160,911	
CF from Operating incl E	112,409	140,884	204,002	160,909	
(inc)/dec in FA	-129,116	-120,613	-278,710	-277,727	
(Pur)/Sale of Investments	12,837	-98,511	2,846	106,334	
CF from Investments	-116,279	-219,124	-275,864	-171,393	
(Inc)/Dec in Debt	73,772	-24,409	154,938	134,883	
Dividend Paid	-24,666	-28,416	-36,032	46,070	
Interest	-20,229	-18,458	-24,780	-51,845	
Others	-20,613	-1,020	-12,263	-6,846	
CF from Fin. Activity	8,264	-72,303	81,864	122,264	
Inc/Dec of Cash	4,394	-150,543	10,004	111,780	
Add: Beginning Balance	149,332	162,716	12,173	7,896	
Closing Balance	153,726	12,173	7,896	118,769	

N O T E S



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1. Analyst ownership of the stock
2. Group/Directors ownership of the stock
3. Broking relationship with company covered
4. Investment Banking relationship with company covered

NTPC

No
No
No
No

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