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National Hydro Electric Power Corporation Ltd (NHPC), a Government Enterprise, is one of the largest organizations in the field of hydro power development in the country. As the name suggests, the company is engaged in planning, development and implementation of an integrated and efficient network of hydroelectric projects in India. The installed capacity from 14 Power Stations is 5295 MW. It has a Trailing Twelve Month EPS of ₹ 1.8 and is trading at a P/E multiple of 17.8x and a P/BV of 1.7x.

2Q FY11 Financial Analysis

- ◆ NHPC recorded a subdued performance as revenues were marginally up by 3% (YoY) to Rs. 12812 mn. For H1FY11 also the revenues grew at the same rate of 3% (YoY) to Rs. 23362 mn. The company commissioned 120 mw Sewa II plant in July 2010.
- ◆ Expenditure grew at a higher pace as compared to revenues impacting EBIDTA which was up only by 0.6% (YoY) to Rs. 10594 mn. EBIDTA margins came down by 100 bps to 83%.
- ◆ Performance for H1FY11 was as subdued as this quarter with EBIDTA remaining almost at the same levels as last year at Rs. 19096 mn. Higher growth in expenditure is impacting the profitability of the company as margins came down by 200bps
- ◆ Fall in interest expense along with growth in other income aided net profits which were up 12% (YoY) to Rs. 6904 mn. As a result, PAT margins were also up 500 bps to 54%.
- ◆ For H1FY11 as well lower interest expenses and growth in other income aided PAT which was up 10% to Rs. 12276 mn. PAT margins were up 400 bps to 53% for the half year.

Rating	Not Rated
Target Price	--
CMP	₹ 32
Upside	--
Sensex	19941

Key Data

Bloomberg Code	NHPC IN Equity
Reuters Code	NHPC.BO
NSE Code	NHPC
Current Share o/s (mn)	12300.7
Diluted Share o/s (mn)	12300.7
MktCap (₹bn/\$mn)	388.7/8723.1
52 WK H/L (₹)	36.6/27.6
Daily Vol. (3M NSE Avg)	10664040
Face Value (₹)	10
Beta	0.59
1USD/₹	44.6

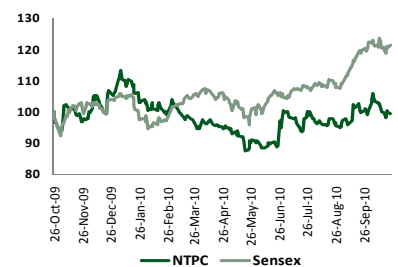
Shareholding Pattern	(%)
Promoters	86.4
FII	1.6
Others	12.0

Price Performance (%)

	1M	6M	1yr
NHPC	-1.7	-1.3	2.8
NIFTY	0.0	10.7	26.1

Source: Bloomberg; *As on 28th October, 2010

Relative Price Chart (%)



Source: Company, Networth Research

Financial Summary

Profit and Loss Account Rs mn	Q2FY11	Q2FY10	% change	Q1FY11	% change	H1FY11	H1FY10	% change
Net Sales / Income from Operations	12,812	12,474	2.7%	10,551	21%	23,362	22,782	2.5%
Net Sales / Income from Operations	12,403	11,954	4%	10,197	22%	22,600	22,556	0.2%
Other Operating Income	409	521		354		762	226	
Expenditure	-2,218	-1,946	14%	-2,047	8%	-4,266	-3,720	15%
Employees Cost	-1,321	-1,133	17%	-1,209	9%	-2,529	-2,372	7%
Other Expenditure	-897	-813	10%	-838	7%	-1,737	-1,348	29%
Profit from Operations before Other Income, Interest and Exceptional Items	10,594	10,529	0.6%	8,504	25%	19,096	19,062	0.2%
PBDIT margins	82.7	84.4		81		82	84	
Depreciation	-2,677	-2,567	4%	-2,605	3%	-5,224	-5,030	4%
Other Income	1,711	760	125%	1,837	-7%	3,490	1,908	83%
Profit before Interest and Exceptional Items	9,628	8,722	10%	7,736	24%	17,362	15,940	9%
Interest	-1,090	-1,232	-12%	-1,042	5%	-2,132	-2,452	-13%
Profit after Interest but before Exceptional Items	8,538	7,490	14%	6,694	28%	15,230	13,488	13%
Exceptional Items	0	0		0		0	0	
Profit (+)/ Loss (-) from Ordinary Activities before Tax	8,538	7,490	14%	6,694	28%	15,230	13,488	13%
Tax	-1,634	-1,324	23%	-1,320	24%	-2,954	-2,300	28%
Net Profit (+)/ Loss (-) from Ordinary Activities after Tax	6,904	6,166	12%	5,374	28%	12,276	11,188	10%
Extraordinary Items	0	0		0		0	0	
Net Profit	6,904	6,166	12%	5,374	28%	12,276	11,188	10%
PAT margins	54	49		51		53	49	7%
EPS after Extraordinary items (in Rs)								
Basic & Diluted EPS after Extraordinary items	0.56	0.54		0.44		1.00	0.98	

Source: Company, Network

Balance sheet	H1FY11	H1FY10
SOURCES OF FUND		
Shareholder's Funds		
a) Share Capital	123007	123007
b) Reserves and Surplus	122000	107881
Total network	245007	230888
Income recievedd in advance on account of Advance against Depreciation	13641	13250
Loans	143993	120923
Deferred Tax Liability	2067	142
	404708	365203
APPLICATION OF FUNDS		
Fixed Assets inclusive of CWIP and construction stores and advances	317346	294112
Investments	58463	27944
Deferred Foreign currency fluctuation asset		
Current Assets, Loans and Advances		
a) Inventories	471	384
b) Sundry Debtors	10473	9913
c) Cash and balances	35558	48397
d)other current assets	6473	4503.7
e) Loans and advances	14377	14503
f) interest accrued on Investments	1989.9	755
g) contract work in Progress		248.4
	69341.9	78704.1
Less: Current Liabilities and Provisions		
a) Current Liabilities	23128	19460
c) Provisions	17315	16097
	40443	35557
Net Current Assets	28899	43147
Total	404708	365203

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Key to NETWORTH Investment Rankings

Buy: Upside by>15, **Accumulate:** Upside by +5 to 15, **Hold:** Upside/Downside by -5 to +5, **Reduce:** Downside by 5 to 15, **Sell:** Downside by>15

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