

## Power

Q1FY11 Preview

9 July 2010

## Flat quarter expected

At the operating level, with the exception of PTC India, utilities under coverage are expected to see flattish performance, as no major capacity addition occurred during the quarter.

- **Sales to decline:** Sales are likely to decline marginally by 4.9% QoQ, as no major capacity additions took place in the year. Utilities are likely to see a marginally declining trend on a YoY basis, due to lower tariff assumption on the back of lower fuel cost assumptions.
- **PTC India's volumes to improve:** We expect PTC India's volumes to improve 26.6% YoY due to higher volumes from long-term trading. PTC's long-term trading volumes are expected to more than double to 1100 MU.
- **Flat EBITDA expected:** EBITDA to remain flat YoY for utilities like NTPC and Tata Power, while CESC is likely to witness YoY growth of 21.8% due to the commercialization of Budge Budge during the last quarter of FY10. On the back of higher volumes, we expect PTC's EBITDA to grow 33.3% YoY to Rs207mn.
- **PAT likely to fall:** With the exception of NTPC, most utilities are likely to see a fall in PAT, despite better operating performance, due to lower other income. We expect PTC's PAT to fall 6.5% YoY despite higher volumes due to lower other income. In the case of CESC PAT is expected to fall by 6.2% YoY to Rs985mn.

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## Summary Estimates

Y/E Mar (Rsmn)	Net Sales (Rsmn)				EBITDA (Rsmn)				EBITDA Margin (%)		Adj. PAT (Rsmn)			
	Q1FY11E	YoY (%)	QoQ (%)	FY11E	Q1FY11E	YoY (%)	QoQ (%)	FY11E	Q1FY11E	Q1FY10	Q1FY11E	YoY (%)	QoQ (%)	FY11E
CESC	7,815	(4.7)	1.5	33,978	2,010	21.8	0.5	9,497	27.9	24.5	985	(6.2)	(1.5)	4,281
NTPC	111,980	(10.6)	(12.0)	533,238	37,326	0.9	22.6	177,745	33.3	29.5	23,972	9.3	18.8	103,806
Power Grid	18,085	4.3	(9.4)	86,120	14,760	2.4	(6.4)	70,286	81.6	83.1	5,532	1.2	2.6	25,868
PTC India	20,030	(15.6)	61.1	101,208	207	33.3	119.2	1,149	1.0	1.3	246	(26.3)	80.2	1,336
Tata Power	16,190	(8.0)	(9.8)	160,516	4,182	11.3	(6.9)	42,432	25.8	21.4	2,051	11.1	9.5	14,817

Source: Company, Centrum Research Estimates

**Please refer to important disclosures/disclaimers in Appendix A**

### **CESC (Rating – Hold; Target Price – Rs414)**

- 250 MW Budge Budge was commissioned and commercialized in the quarter ended March 2010. We expect the project to add ~Rs6bn to the normative return on equity in FY11E.
- We expect revenues to remain flat QoQ but fall 4.7% YoY to Rs7.8bn, due to lower tariff on account of lower fuel cost assumption.
- EBITDA to grow 21.8% YoY to Rs2bn, primarily due to the commissioning of a third 250 MW unit in Budge Budge.
- EBT before other income is expected to grow 13.0% QoQ and 3.8% YoY to Rs1,141mn, due to the commissioning of the Budge Budge expansion. PAT is expected to remain flat at Rs985mn QoQ but decline 6.2% YoY due to lower other income.

### **NTPC (Rating – Buy; Target Price – Rs260)**

- EBITDA is expected to remain flat YoY at Rs37bn, as no major capacity addition happened during the quarter. EBT too remained stable YoY at Rs26.6bn, due to the lack of major capacity addition.
- Adjusted PAT is likely to grow 9.3% YoY to Rs23.9bn due to higher other income.

### **Power Grid Corporation (Rating – Hold; Target Price – Rs118)**

- Sales are expected to grow by 4.3% YoY to Rs20.0bn primarily due to higher tariff on cost inflations. No major capacity addition is expected during the quarter.
- EBITDA is expected to grow by 2.4% YoY to Rs14.8bn, in line with sales.
- PAT is expected to remain flat during the quarter at Rs5.5bn, due to lower capacity additions during the quarter.

### **PTC India (Rating – Buy; Target Price – Rs163)**

- Overall volumes to increase 26.6% YoY to 5325 million units (MUs), primarily contributed by long-term volume from IPPs. We expect long-term volume to jump 2.2x to 1100 MUs, contributed primarily by the Lanco's Amarkantak project, for which PTC is expected to trade at Rs0.07/unit. We expect a 15% growth in cross-border volumes due to higher generation assumption from existing plants.
- EBITDA due to higher volume and trading margins is likely to grow 33.3% YoY to Rs207mn.
- PAT is expected to decline by 26.3% YoY to Rs246mn, due to lower other income. We have assumed other income to fall 53% YoY to Rs125mn.

### **Tata Power (Rating – Buy; Target Price – Rs1,467)**

- Sales are expected to decline marginally by 8.0% YoY to Rs16.2bn due to lower tariff, compensating for higher volumes from new capacity additions during FY10.
- EBITDA is likely to grow 11.3% YoY to Rs4.2bn due to new capacity additions in FY10, such as Haldia and the Trombay 8th Unit.
- Adjusted PAT is expected to grow 11.1% YoY to Rs2.1bn, due to new capacity added during FY10.

## Appendix A

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