

Indices

	Last close	% Chg	% YTD
Sensex	9,063	(4.4)	(3.6)
Nifty	2,663	(4.1)	(6.1)
CNX Midcap	3,436	(6.2)	(14.7)
Nasdaq	2,072	(0.9)	(6.0)
DJIA	10,706	(0.8)	(0.1)

Volumes

	US\$m	% Chg
BSE	577	(0.4)
NSE	1,217	0.4
Derivatives (NSE)	4,187	(7.8)

ADR/GDR (US\$)

	Latest	% Chg	% Prem
Dr Reddy's Lab	25.0	(2.9)	(5.1)
HDFC Bank	44.6	(1.3)	4.5
ICICI Bank	22.5	(0.7)	12.0
ITC	3.2	(3.0)	(0.2)
Infosys	65.7	(1.6)	14.0
Satyam	28.9	(1.8)	12.5
Ranbaxy	7.6	(3.2)	(2.3)
Reliance	37.4	(4.7)	(0.4)
Wipro	10.4	(3.8)	20.0
SBI	40.0	3.8	21.9
Tata Motors	14.9	(2.8)	(1.6)

Net Inflows/Outflows (US\$m)

	10-Jun	MTD	YTD
FIIIs	21.6	391	2,654
Dom MFs	(2.2)	(338)	2,756

Currencies

	Closing	Chg
Rs/US\$	45.82	(0.16)
US\$/EUR	1.26	0.0

Bond Markets

	Closing	Chg
10 yr bond	7.81	0.01
Interbank call	5.50	(0.30)

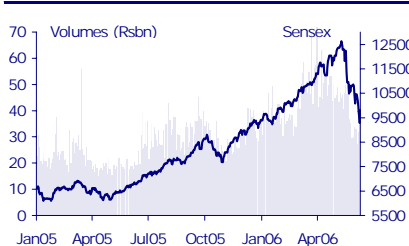
Commodities

	Latest	% Chg	% Chg 1 m
Brent (US\$/bbl)	65.6	(0.9)	(9.3)
Gold (US\$/oz)	560	(1.8)	(21.6)
Cu (US\$/MT)	6,881	(4.8)	(21.7)
Steel (US\$/MT)	465	-	-

FII activity in derivatives 10-Jun

	Index	Stocks
Net buying	(64.1)	52.8
Open interest	2,672.7	1,950.4
Chg in open int. (DoD)	100.6	(127.6)

Sensex



What's inside

NTPC

News headlines: Corporate

- Reliance dealer sales of petroleum products have fallen 90% to 2000 l/day. (FE)
- Reliance and Niko have expanded development plan to D-6 block in the KG basin. (FE)
- HPCL has tied-up with Kamat Hotels to operate restaurants at its retail outlets across India. (FE)
- Reliance Communications plans to spend Rs25bn for its GSM foray in new circles. (ET)
- Tata Motors has received Rs550m order from Congo for revamping the urban transport system of Kinshasa. (BS)

News headlines: Economic and Political

- Govt. is planning to do away with 'cc' as one of the two criteria defining small cars. (FE)
- Farmers have been advised to delay kharif sowing till monsoon revives.
- Govt. has relaxed wheat import norms in order to facilitate import of 2.2 mt of wheat. (FE)
- FM radio industry and music industry have reached a settlement over royalty payments. (FE)
- Prices of essential medicines are set to fall by 10-70% once the new drug policy is in force. The policy plans to expand price control from 74 products to 354 products. (ET)
- GDP growth is expected to slow down to 7.9% from an earlier forecast of 8-8.25%. (ET)
- Hotels across India have raised room rentals by 20-40%. (BS)
- Govt. is in favour of levying an entry fee for 3G services. (BL)

Turnover highlights

	Price (Rs)	Chg (%)	Vol (\$m)	YTD chg (%)
SBI	751	0.8	58.7	(17.2)
ONGC	984	0.6	40.1	(16.2)
Bharti	322	(0.7)	4.7	(6.9)
Ranbaxy	356	(1.1)	13.7	(16)
Dr. Reddy's	1,207	(1.5)	6.9	23.4
Sun Pharma	709	(1.5)	2.1	4.0
Hindalco	149	(2.4)	26.3	4.0
Grasim	1,621	(2.7)	7.6	16.5
NTPC	104	(3.0)	8.6	(7.7)
ICICI Bank	460	(3.1)	7.8	(21.3)
Satyam	587	(3.7)	36.6	(20.4)
SAIL	64	(3.9)	11.6	19.2
TCS	1,570	(4.1)	16.0	(7.8)
HLL	188	(4.3)	18.6	(4.6)
Tata Motors	694	(4.6)	51.8	6.3
Zee	198	(4.8)	5.4	26.5
Infosys	2,641	(4.8)	66.6	(11.9)
Reliance	859	(4.9)	189.8	25.5
IOC	314	(4.9)	2.5	(43.6)
ITC	146	(5.4)	42.9	2.8
Bajaj Auto	2,234	(5.8)	26.7	11.6
L&T	1,843	(6.2)	32.5	(0.1)
Wipro	395	(6.3)	11.5	(14.8)
HDFC Bank	651	(6.4)	6.8	(7.9)
Maruti	702	(6.6)	29.8	2.8
Gail	223	(6.9)	4.6	(16.2)
Hero Honda	658	(7.0)	9.4	(23.5)
BHEL	1,609	(7.8)	22.3	16.0
Tata Steel	390	(8.5)	62.2	2.7
HDFC	1,017	(9.6)	26.0	(15.6)

BSE 200 Movers and Shakers

	Price (Rs)	Chg (%)	YTD chg (%)
Top Gainers			
MaxIndia	720	4.2	20.0
Apollo Hospitals	374	2.0	(25.0)
Raymond	352	1.6	(12.8)
SBI	751	0.8	(17.2)
ONGC	984	0.6	(16.2)
Biocoin	351	0.0	(28.8)
Nicholas	162	(0.1)	(41.1)
Indian Hotels	962	(0.2)	(2.7)
Essel Propack	72	(0.5)	0.9
Patni Computer	311	(0.6)	(37.2)
Bharti	322	(0.7)	(6.9)
Marico	398	(0.8)	8.4
Ultratech Cement	571	(0.9)	33.7
Godrej Consumer	599	(0.9)	13.5
Top Losers			
Orchid	153	(14.8)	(36.5)
Bajaj Hindusthan	265	(14.1)	(15.2)
IndusInd Bank	29	(13.8)	(49.6)
Neyveli Lignite	48	(13.7)	(38.9)
Bank Of Maharashtra	19	(12.1)	(40.8)
Centurion Bank of Pu	19	(12.1)	(10.7)
Essar Shipping	20	(11.5)	(32.1)
Sterlite	284	(11.0)	37.0
Birla Corp	169	(10.8)	(34.3)
Thermax	219	(10.8)	16.4
TVS Motors	97	(10.6)	(3.4)
Jaiprakash Associate	313	(10.5)	(19.6)
RCF	30	(10.0)	(29.0)
IDBI	50	(9.8)	(48.6)

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14 June 2006

India Power

Reuters NTPC.NS
Bloomberg NNATP IN

Priced on 13 June 2006
India Sensex @ 9,062.6

12M price target Rs130.0
±% up/downside +25%
Target set on 8 Jun 06

Market cap US\$18,415m
Shares in issue 8,245.5m
Free float (est.) 10.5%

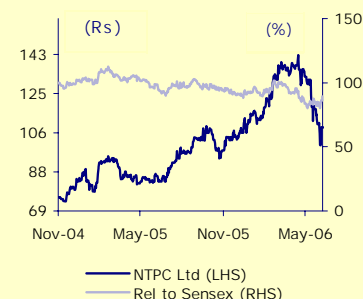
3M average daily volume
Rs836.9m (US\$18.5m)

12M high/low
Rs144.90/82.00

Major shareholders
Government of India 89.5%
FIIs 6.8%

Stock performance (%)

	1M	3M	12M
Absolute	(20.8)	(25.6)	22.1
Relative	7.4	(11.3)	(8.0)
Abs (US\$)	(22.5)	(28.0)	15.8



Source: Bloomberg

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Steady performer

NTPC should offer steady 10% earnings cagr over long term even after factoring in a 2ppt reduction in regulated ROE and tighter incentive norms post FY09. Coal mining, merchant plants and inorganic growth opportunities should provide further upside. Given regulated earnings NTPC is a clear defensive (beta of 0.8). The stock should offer 10-15% annual returns over long term. Even with fairly aggressive growth, there is potential for increase in dividend payout. Maintain O-PF

Steady growth

NTPC has targeted 17GW of capacity addition in the 11th plan (FY08-12) and 20GW in the 12th plan (FY13-17). These targets were set before NTPC was allotted coal mines with total reserves of 4bn tonnes that can support generation capacity of around 15GW. NTPC will also participate in the ultra mega power projects (UMPP) and is likely to be a strong contender for the first UMPP coming up in Madhya Pradesh, where it already has two power plants. Given two additional opportunities we believe NTPC should be able to add around 20GW in the 11th plan and 25GW in the 12th plan compared to 7GW in the current plan (FY02-07).

Badarpur acquisition highlights inorganic growth opportunities

NTPC recently acquired the 705MW Badarpur thermal power station from the central government for Rs4bn including the absorption of liabilities worth Rs1.3bn. NTPC may invest another Rs10-12bn on upgradation of this plant. Including efficiency related incentives this plant could provide around 3% boost to NTPC's earnings. Over next 3-4 year there could be more opportunities for NTPC to acquire generation assets owned by state utilities.

Coal mining – another trigger

NTPC has kicked off the process for appointing the operator for its first coal mine - Pakri Barwadih - which is likely to yield 15mt coal per annum. The management targets to start coal mining by end FY08. The process of appointing operators for other mines will also start once the work on Pakri Barwadih has begun. Overall, NTPC plans to mine over 50mt of coal per annum by the end of the 11th plan. If allowed to transfer coal to its plants at market rates, this could become a significant contributor to NTPC's profits (10-15% boost) over long term. A couple of power plant units based on captive coal mines should be commissioned during the 11th plan.

Should offer 10-15% annual returns

We have raised our cost of equity estimate for NTPC by 1ppt to 13.2% factor in the hardening interest rates and rising risk aversion. Even with these assumptions we get a DCF value of Rs130/share – 25% upside from current price. We believe over long term NTPC should offer 10-15% annual returns, broadly returns in line with the earnings growth. Stock currently offers 3% dividend yield with potential for upside.

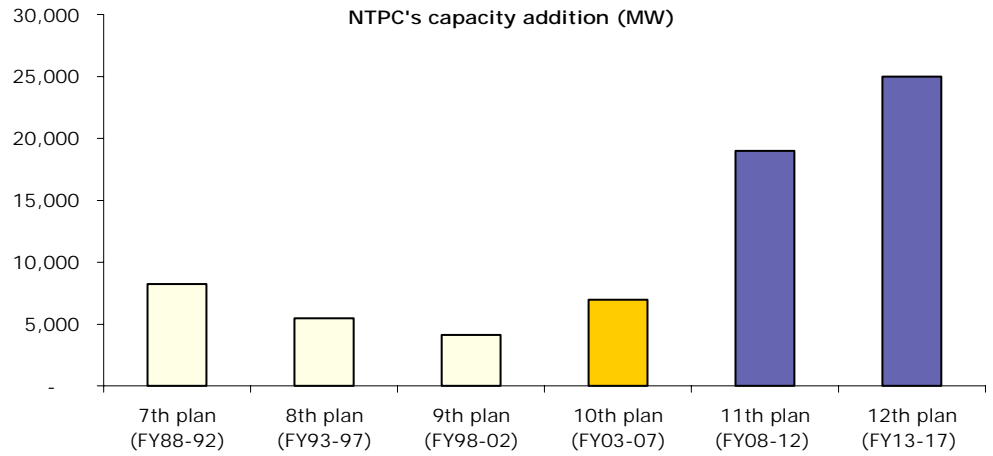
Financials

Year to 31 Mar	05A	06CL	07CL	08CL	09CL
Revenue (Rsm)	221,961	257,912	287,762	348,254	392,377
Net profit (Rsm)	58,070	58,202	66,147	73,049	79,277
EPS (Rs)	7.0	7.1	8.0	8.9	9.6
EPS (% YoY)	7.5	0.2	13.7	10.43	8.53
PEX (@Rs103.8)	14.7	14.7	12.9	11.7	10.79
Dividend yield (%)	2.3	2.7	3.0	3.3	3.5
ROAE (%)	15.0	13.4	14.1	14.4	14.4
Price/book (x)	2.1	2.0	1.8	1.6	1.5

Source: CLSA Asia-Pacific Markets

Figure 1

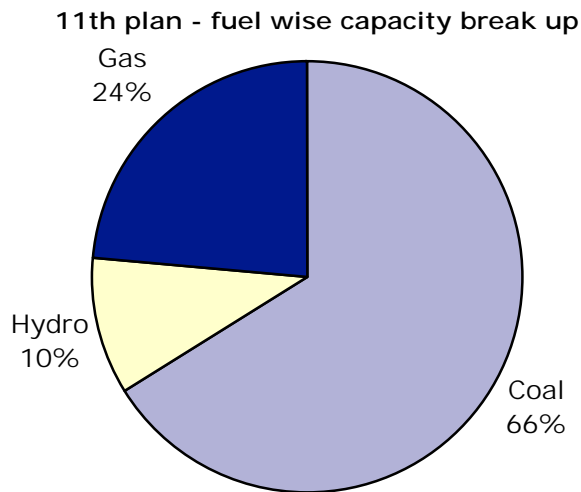
Big scale up in NTPC's capacity addition



Source: NTPC, CLSA Asia-Pacific Markets

Figure 2

11th plan capacity addition will be primarily dependent on coal



Source: CLSA Asia-Pacific Markets

Details of coal mines allotted to NTPC

Coal Mine	Geological reserves (mt)	Tentative mining capacity (mtpa)	Ownership
Pakri Barwadih	703	15	Directly NTPC
Kerandari, North Karanpura	228	5	Directly NTPC
Chatti Bariatu, North Karanpura	243	5	Directly NTPC
Dulanga, Ib Valley	260	5	Directly NTPC
Chattrasal, Singrauli	150	3	Directly NTPC
Talaipalli	965	15	Directly NTPC
Brahmini	1,900	n.a.	In JV with CIL
Chichro Patsimal	356	n.a.	In JV with CIL
Total	4,702		

Source: NTPC, CLSA Asia Pacific Markets

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Note: In the interests of timeliness, this document was not edited.

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