

September 29, 2006

Stock Rating
Equal-weight

Industry View
In-Line

NTPC

710 MW Capacity Addition in First Half of F2007

NTPC has commissioned 710 MW of its planned 3,710 MW capacity addition in F2007: With the commissioning of the 210 MW Unit of Feroze Gandhi Unchahar Thermal Power Project (Stage III) yesterday, NTPC's fully owned commissioned capacity stands at 25,350 MW (commercial capacity is 24,640 MW).

Implied fully-owned capacity addition target over the next six months is 3,000 MW: While NTPC plans to commission additional projects with an aggregate capacity of 3,000 MW by March 2007, our earnings estimates assume a capacity addition of 3,210 MW in F2007 (implying 2,500 MW capacity addition over the next six months). Exhibit 1 contains the NTPC's estimated commissioning timeline of projects in F2007.

We rate the stock 'Equal-weight': The stock trades at a P/E of 15.0x, based on our earning estimate for F2008.

Key Ratios and Statistics

Reuters: NTPC.BO Bloomberg: NATP IN

India Utilities

Price target	Rs140.00
Shr price, close (Sep 28, 2006)	Rs127.50
Mkt cap, curr (mn)	Rs1,051,297
52-Week Range	Rs144.90-90.90
Sh out, basic, curr (mn)	8,245.5
EV, curr (mn)	Rs1,127,463
Net debt/cap (06e) (%)	14.6
ROE (06e) (%)	13.0
Sh out, basic, per-end (06e) (mn)	8,245
S'hldr eqty (06e) (mn)	Rs452,259
RNOA (06e) (%)	9.5

e = Morgan Stanley Research estimates

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Exhibit 1

NTPC— Fully-Owned Capacity Additions Planned in F2007

Power Project	Location	Capacity (MW)	Target Commissioning
Vindhyachal - III (U6)	Sidhi, Madhya Pradesh	500	Aug-06
Unchahar - III	Rae Bareli, UP	210	Sep-06
Vindhyachal - III (U5)	Sidhi, Madhya Pradesh	500	Oct-06
Kahalgaon - II (U1)	Bhagalpur, Bihar	500	Dec-06 / Jan-07
Sipat - II (U1)	Bilaspur, Chhattisgarh	500	Dec-06 / Jan-07
Kahalgaon - II (Phase 2)	Bhagalpur, Bihar	500	Dec-06 / Jan-07
Sipat - II (U2)	Bilaspur, Chhattisgarh	500	Mar-07
Kahalgaon - II (U2)	Bhagalpur, Bihar	500	Mar-07
Total		3,710	

* Excludes the transfer-in of 705 MW Badarpur Power Station; Source: Company data, Morgan Stanley Research

Company Description

NTPC is India's largest power-generating company, with installed capacity of 23,935 MW (83% of which is coal-fired). By March 2012, the company plans to augment its generation capacity by 20,000 MW. NTPC derives almost 100% of its revenues from sale to state utilities. Listed in November 2004, the Government of India owns 89.5% of this 'Navaratna' PSUs.

Industry View: In-Line

MSCI Country: India

Asia Strategist's Recommended Weight: 2.2%
 MSCI Asia/Pac All Country Ex Jp Weight: 6.8%



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(as of August 31, 2006)

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Overweight/Buy	784	39%	294	44%	38%
Equal-weight/Hold	888	44%	297	45%	33%
Underweight/Sell	332	17%	74	11%	22%
Total	2,004		665		

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Unless otherwise specified, the time frame for price targets included in this report is 12 to 18 months.

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Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

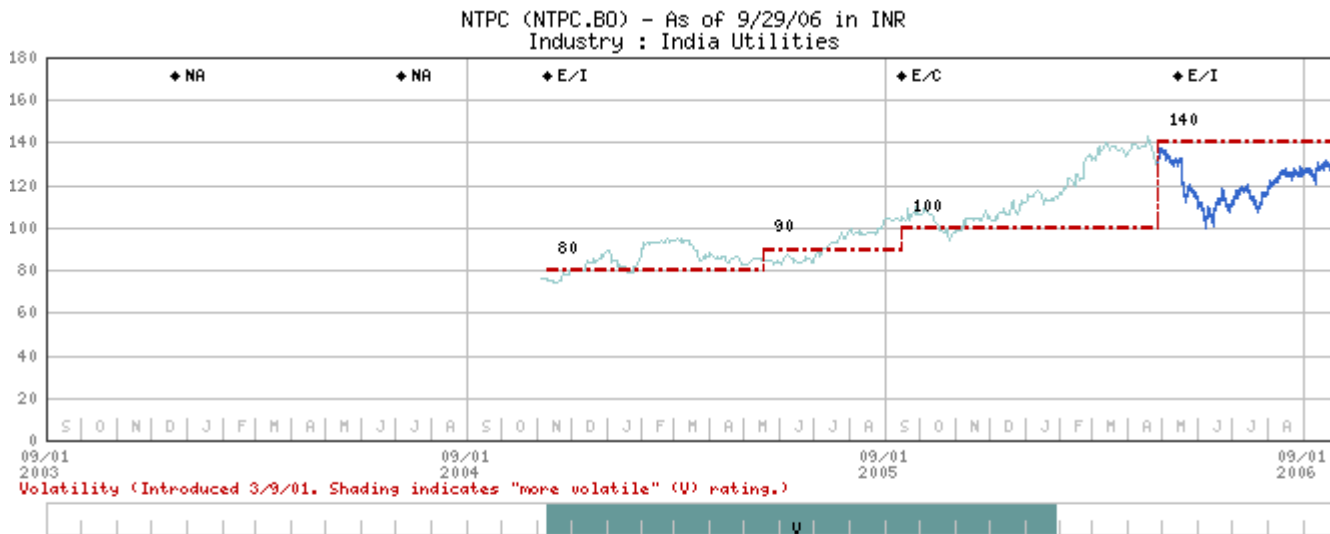
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Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 12/22/03 : NA; 7/6/04 : NA; 11/10/04 : E/I; 9/16/05 : E/C; 5/15/06 : E/I
Price Target History: 11/10/04 : 80; 5/18/05 : 90; 9/16/05 : 100; 4/27/06 : 140

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
Stock Ratings abbreviated as below (Effective 3/18/02, ratings appear as Stock Ratings/Industry View) ♦
Stock Ratings as of 3/18/02: Overweight (O) Equal-weight (E) Underweight (U) More Volatile (V) No Rating Available (NAU)
Stock Ratings prior to 3/18/02: Strong Buy (SB) Outperform (OP) Neutral (N) Underperform (UP) No Rating Available (NAU)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Industry Coverage:India Utilities

<u>Company (Ticker)</u>	<u>Rating (as of)</u>	<u>Price (09/28/2006)</u>
Anirudh Gangahar		
NTPC (NTPC.BO)	E (11/10/2004)	Rs127.50
Petronet LNG Limited (PLNG.BO)	U (12/05/2005)	Rs47.50
Reliance Energy (RLEN.BO)	O (06/21/2006)	Rs478.05
Tata Power Co (TTPW.BO)	E (05/15/2006)	Rs555.00

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