

CMP : Rs.173

Reco : BUY

Target : Rs.194

STOCK INFO

| | |
|-------------------------|----------------|
| BSE | 532555 |
| NSE | NTPC |
| Bloomberg | NTPC.IN |
| Reuters | NTPC.BO |
| Sector | POWER |
| Face Value (Rs) | 10 |
| Equity Capital (Rs Mn) | 82454 |
| Mkt Cap (Rs Mn) | 1,426,454 |
| 52w H/L (Rs) | 208.50/ 162.25 |
| Avg Daily Vol (BSE+NSE) | 2,630,963 |

SHAREHOLDING PATTERN

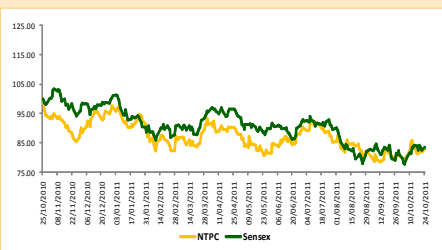
| | % |
|-------------------------------|-------|
| <i>(as on 30th Sep. 2011)</i> | |
| Institutions | 11.66 |
| Others, Incl Public | 3.84 |
| Promoters | 84.5 |

Source: BSE

| STOCK PERFORMANCE (%) | 1m | 3m | 12m |
|-----------------------|------|------|-------|
| NTPC | -1.0 | -5.2 | -17.2 |
| Sensex | -0.7 | -8.5 | -16.6 |

Source: Capitaline; IndiaNivesh Research

NTPC v/s BSE SENSEX



Source: Capitaline; IndiaNivesh Research

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Revenue grew due to grossing up ROE at corporate tax rate and previous year sales

NTPC reported its Q2 FY12 quarter numbers (Standalone) which were above street expectations. Revenue for Q2FY12 increased by 18% y-o-y basis to Rs. 153.77 bn against street expectation of Rs.141.19 bn. It includes previous year sales of Rs 7.6 bn. Revenue also driven by higher tariff due to higher energy cost and grossing up ROE at corporate tax rate instead of MAT. Net profit increased by 15% y-o-y to Rs.24.24 bn (street was expecting 20.07 bn) as against Rs 21.07 bn in same quarter in the previous year.

Contraction in operating margin was largely on account of higher coal prices.

Operating margin has been strained by escalating coal price and lower PLF due to fuel availability issue. EBITDA margins compressed by 284 bps y-o-y basis. The fuel cost increased (as a% of Net Sales) to 69.25% in Q2 FY12 compared to 66.26% in last year while Employee cost decreased (as a% of Net Sales) from 5.4% to 5.1%. However, EBITDA increased by 5% y-o-y basis.

Net Profit up by 15% y-o-y, powered by lower interest and higher other income

Net profit increased by 15% y-o-y to Rs.24.24 bn as against Rs 21.07 bn in same quarter in the previous year due to higher other income and lower interest expenses. Other income was Rs 6.88 bn up by 23% y-o-y. The interest cost reduced substantially 17% y-o-y to Rs 3.3 bn. The depreciation was higher by 30% to Rs 6.58 bn compared to 6.41 bn. This has escalated the growth at PBT level to 8% to Rs. 32.58 bn.

Valuation

NTPC is well placed in terms of fuel security due to the preference it gets in domestic coal supply and ability to pass through hike in fuel costs. We expect the company to register CAGR of 10-12% in its top line and bottom line over FY2012-14E due to huge capacity addition in next two years. Further, we believe NTPC would try to declare COD of most of the projects getting commissioned in FY12 to take benefit of 80IA. Impact of commercial additions at the end of Q2FY12 (1,160MW, 660 MW of Sipat+ 500 MW of Simhadri) to be seen in Q3FY12. At the CMP of Rs. 173, NTPC is trading at 1.92x FY12E BV and 1.75x FY13E BV lower than of historical average book value of 2.3x. We have buy rating on the stock with a target price of Rs. 194. We will come out with detail analysis after the concall scheduled on 26th October, 2011.

| Quick Fundamentals (Rs. Mn) | | | | | |
|-------------------------------|-----------------|-----------------|-----------------|---------------------------|---------|
| NTPC | Q2FY12 | Q1FY12 | Q2FY11 | Q-o-Q % | Y-o-Y % |
| Net sales | 153,775 | 141,714 | 129,893 | 9 | 18 |
| Other Operating Income | 3,213 | 3,527 | 644 | NA | 399 |
| Advance against deprec. | | | 17,634 | NA | NA |
| Total sales | 156,988 | 145,241 | 148,171 | 8 | 6 |
| Cost of Revenues | 121,386 | 113,053 | 114,407 | 7 | 6 |
| Fuel Cost | 106,494 | 97,498 | 86,073 | 9 | 24 |
| Other Expenditure & provision | 7,043 | 8,647 | 8,616 | -19 | -18 |
| Staff cost | 7,848 | 6,907 | 7,092 | 14 | 11 |
| Provisions | 1 | | 12,627 | NA | -100 |
| EBIDTA | 35,602 | 32,189 | 33,763 | 11 | 5 |
| Depreciation | 6,583 | 6,411 | 5,063 | 3 | 30 |
| EBIT | 29,019 | 25,778 | 28,701 | 13 | 1 |
| Interest Expense | 3,312 | 3,744 | 3,995 | -12 | -17 |
| Other income | 6,881 | 6,436 | 5,584 | 7 | 23 |
| PBT | 32,588 | 28,470 | 30,290 | 14 | 8 |
| Provision for taxation | 8,347 | 7,714 | 9,216 | 8 | -9 |
| PAT | 24,241 | 20,756 | 21,074 | 17 | 15 |
| EPS (RS.) | 2.9 | 2.5 | 2.6 | 17 | 15 |
| | Margin % | Margin % | Margin % | Basis Points (BPS) | |
| EBITDA % | 23.2 | 22.7 | 26.0 | 44 | -284 |
| EBIT % | 18.9 | 18.2 | 22.1 | 68 | -322 |
| PBT % | 21.2 | 20.1 | 23.3 | 110 | -213 |
| PAT % | 15.8 | 14.6 | 16.2 | 112 | -46 |

Source: Company Filings; Bseindia; IndiaNivesh Research;



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