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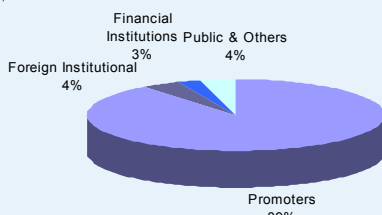
**Price:** **Rs.182**  
**18M Target Price:** **Rs.250**  
**% Upside / (Downside)** **37%**

### Stock details

BSE Code	532555
NSE Code	NTPC
Reuters Code	NTPC.BO
Bloomberg Code	NATP IN
Market Cap (Rs Bn)	1497.8
Free Float (%)	10.5
52-wk Hi/Lo (Rs)	291/149
Avg daily Vol (BSE)	348697
Avg daily Vol (NSE)	1245883
Shares o/s (mn) FV Rs 10	8245.5

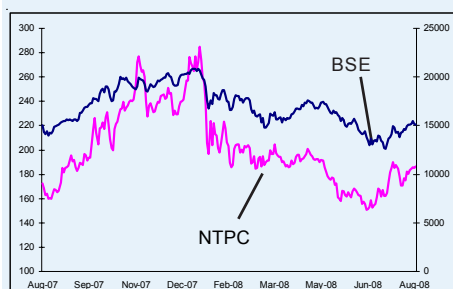
Source: Reliance Money Research

### Shareholding pattern (30th June 2008)



Source: Reliance Money Research

### Stock Performance (Rel to sensx)



Source: Capitaline

## NTPC Limited

### We Maintain Buy

The Q1 performance of NTPC remains below our expectation. This dismal performance is largely attributable to the planned shut down of some plants during the quarter and also due to consistently pressure on supply of gas for the gas stations. However the commercialization of 1000 MW of capacities at Kahalgaon and at Sipat will add to the volume of the company during FY09.

We expect 8% CAGR in power tariff of the company over FY08-FY10 based on the capex and rise in the fuel cost. We have not factored in the tariff rise due to extra provision made for the employee cost and interest cost due to depreciation of currency. This would translate in to 12% CAGR in sales and 13% CAGR in reported net profit over FY08-FY10E. The stock is trading at EV/EBITDA of 10.6x and 9.4x respectively to our FY09E and FY10E estimates. This is in contrast to the current EV/EBITDA of Power Grid at 14.2x and 12.9x to our estimate over the same period. Based on our DCF based valuation method we maintain our **BUY** recommendation on the stock with an 18 month target price of Rs 250.

### Q1FY09 Performance: Structured plant shut down led to dismal show

The overall PLF of the company declined to 92% from 94% during Q1FY09 as compared to corresponding period last year. The company booked Rs 618 mn worth of past year revenue during the quarter as compared to Rs 5097 mn worth of revenue booked during the corresponding quarter last year. Combination of these two effects led to 500 basis point YoY rise in fuel cost as a percentage of power revenue for the company. This remain mainly responsible for 380 basis point decline in operating margin, before considering the EO expenses and provisions worth Rs 1.7 bn towards staff and forex variation respectively. Commercialization of new plant at Sipat and Kahalgaon led to 12% YoY rise in Depreciation. Although the actual interest cost remain almost flat but the additional cost of Rs 0.3 bn due to the depreciation of rupee led to 3% rise in actual interest cost for the company. Thus with out considering the extra ordinary items as discussed above the PBT of the company declined by 9.3% YoY. On a YoY basis the net profit declined by 27% to Rs 17.26 bn.

### Financials Summary

	Rs. Mn			
Year to March	FY07A	FY08E	FY09E	FY10E
Total Revenue	353807.0	403737.8	448236.2	506338.6
Growth %		14.1	11.0	13.0
EBITDA	100823.0	122965.8	127853.3	158704.3
EBITDA margin %	30.9	32.9	30.6	33.5
Net Profit	68538.0	77708.8	77869.3	99072.8
EPS (Rs)	8.3	9.4	9.4	12.0
CEPS (Rs)	10.8	12.8	13.3	15.9
EV/EBITDA	12.5	10.3	10.6	9.4
EV/Sales	4.9	4.2	4.0	3.8
ROE %	13.9	15.6	14.5	15.5
ROCE %	18.9	21.3	19.0	19.5
P/E (x)	21.9	17.9	17.9	15.1
P/CEPS (x)	16.8	14.2	13.7	11.4

Source: Company / Reliance Money Research

Contd...

## Performance During the Quarter

The Q1 performance of NTPC got marred largely through the planned shut down of some of the plants of the company. The overall PLF of the company declined to 92% from 94% during the corresponding period last year. Also the company booked Rs 618 mn worth of past year revenue during the quarter as compared to Rs.5097 mn worth of revenue booked during the corresponding quarter last year. Combination of these two effects led to 500 basis point rise in fuel cost as a percentage of power revenue for the company. This remain mainly responsible for 380 basis point decline in operating margin, before considering the EO expenses and provisions worth Rs 1.7 bn towards staff and forex variation respectively.

*On a YoY basis the net profit declined by 27% to Rs 17.26 bn.*

The company had booked EO gain worth Rs 2.8 bn last year during the corresponding period. Commercialization of new plant at Sipat and Kahalgaon led to 12% YoY rise in Depreciation. Although the actual interest cost remain almost flat but the additional cost of Rs 0.3 bn due to the depreciation of rupee led to 3% rise in actual interest cost for the company. Other income declined marginally by 1.6% YoY to Rs 7.17 bn. Thus with out considering the extra ordinary items as discussed above the PBT of the company declined by 9.3% YoY. The tax incidence remains at 20% as compared to 18% during the corresponding quarter last year. This is largely due to increase in income from investments and deposits. Thus on a YoY basis the net profit declined by 27% to Rs 17.26 bn.

### Q1FY09 Performance

Period	Q1FY09	Q1FY08	YoY(%)
Net Sales	95,394.7	89,588.1	6.5
Fuel Cost	61,385.5	53,229.8	15.3
Employees Cost	5,779.0	6,048.8	(4.5)
Less: Provision for Employee Cost	1,001.4	981.7	
Net Employee Cost	4,777.6	5,067.1	(5.7)
Other Expenditure	3,311.5	3,474.3	(4.7)
Total Expenditures	69,474.6	61,771.2	12.5
EBITDA	25,920.1	27,817.0	(6.8)
EBITDA (%)	27.2	31.0	
Depreciation	5,524.4	4,914.1	12.4
Actual Interest And Finance Expenses	3,913.7	4,105.4	(4.7)
Other Income	7,172.3	7,290.3	(1.6)
PBT Before EO	23,654.3	26,087.7	(9.3)
EO	2,007.7	(2,846.1)	(170.5)
PBT After EO	21,646.6	28,933.8	(25.2)
Tax	4,381.3	5,234.5	(16.3)
Adjusted PAT	17,265.3	23,699.3	(27.1)

Source: Company / Reliance Money Research

### Other highlights

- The 500 MW Kahalgaon-II plant was declared commercial from the 1<sup>st</sup> August which will supply power to all regional grids. A 500 MW unit of Sipat plant of the Company has been declared commercial w.e.f. 20th June 2008.
- During the quarter a Joint Venture Company formed with Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited, named "Meja Urja Nigam Private Limited" on April 2, 2008 for setting up a power plant of 1320 MW (2X660 MW) at Meja Tehsil in the state of Uttar Pradesh .
- The company intends to spend a capex of ~Rs.86.26 Bn in FY09 for its capacity expansion programme. The company would go for domestic term borrowing of ~Rs.44.7 Bn and forex loan of ~USD480 mn for the funding. NTPC has already entered into MOUs with PFC for financing its ongoing capacity addition programme and got the sanction of a term loan of Rs 100 Bn for the same.

*The company intends to spend a capex of ~Rs.86.26 Bn in FY09 for its capacity expansion programme.*

## Capacity addition plan of FY09

The capacity addition plan of the company for FY09 is on track. The company already declared 500 MW of capacity as commercial and year end target of 2820 MW looks achievable.

## NTPC's XI plan target-2007-2012

	NTPC			Total	NTPC	
	Coal	Hydro	Gas		JVs	Total
FY08	1000	-	-	1000	740	1740
FY09	2320	-	-	2320	500	2820
FY10	2800	800	-	3600	-	3600
FY11	2820	-	1300	4120	2500	6620
FY12	4230	1120	1300	6650	1000	7650
Total	13170	1920	2600	17690	4740	22430

Source: Company

## Business Background

*NTPC is the largest power generating company of the country with an installed capacity of 29,394 MW*

NTPC is the largest power generating company of the country with an installed capacity of 29,394 MW (~19% of India's total installed capacity). It is presently operating 15 coal based, 7 gas based and 4 joint venture power projects with nationwide presence. NTPC contributed 28.5% of the country's entire power generation during the year 2007-08 and plans to become a 75,000 MW power company by 2017. NTPC has moved ahead in diversifying its portfolio to emerge as an integrated power major with presence across the entire energy value chain. NTPC's core business is power generation. It also provides consultancy in the area of power plant constructions and power generation to companies in India and abroad.

## Operational Parameters Estimated and Incorporated in projection

Year	FY2008E	FY2009E	FY2010E
Capacity (Coal) in MW	22,395	24,715	26,855
Capacity (Gas) in MW	3,955	3,955	3,955
Capacity (Hydro) in MW			600
Total Install Capacity	26,350	28,670	31,410
Total Operating Capacity in MW	25,823	28,097	30,782
Units Generated (In MU)	200,451	211,515	223,861
Overall PLF (Based on Operating Capacity)	89%	86%	83%
Units Sold (In MU)	188,802	199,223	210,851
Gross Energy Sales (In Rs Mn)	366,067	416,484	472,455
Consultancy Proj manage and Super Fee (In Rs Mn)	1,139	1,253	1,378
Total Net Revenue (In Rs Mn)	367,206	417,737	473,833
Increase in Installed Capacity (In MW)	500	2,320	2,740
Increase in Operating Capacity (In MW)	411	2,274	2,685
Increase in Gross Energy Sales (in MU)	45,222	50,418	55,970
Incremental Sales on Incremental Capacity (in MU/MW)	110	22	21
Gross Energy Sales Per Operating Capacity (in MU/MW)	14	15	15

Source: Company / Reliance Money Research

### Valuation: Maintain Buy with target price Rs 250

The Q1 performance of NTPC remains below our expectation. This dismal performance is largely attributable to the planned shut down of some plants during the quarter and also due to consistently pressure on supply of gas for the gas stations. However the commercialization of 1000 MW of capacities at Kahalgaon and at Sipat will add to the volume of the company during FY09. This will be quite visible from the Q2 FY09 performance of the company. We believe the prospective change in regulation by the end of FY09 will go in favour of the sector and will maintain the current regulated return opportunity for the players.

*Based on our DCF based valuation method we maintain our buy recommendation on the stock with an 18 month target price of Rs 250.*

We expect 8% CAGR in power tariff of the company over FY08-FY10 based on the capex and rise in the fuel cost. We have not factored in the tariff rise due to extra provision made for the employee cost and interest cost due to depreciation of currency. This would translate in to 12% CAGR in sales and 13% CAGR in reported net profit over FY08-FY10E. The stock is trading at EV/EBITDA of 10.6x and 9.4x respectively to our FY09E and FY10E estimates. This is in contrast to the current EV/EBITDA of Power Grid at 14.2x and 12.9x to our estimate over the same period. Based on our DCF based valuation method we maintain our buy recommendation on the stock with an 18 month target price of Rs 250.

**Profit & loss statement (Rs mn)**

Y/E March	FY07	FY08	FY09E	FY10E
Net sales	326317.0	374061.8	417737.3	473833.0
% Growth	22.1	14.6	11.7	13.4
EBITDA	100823.0	122965.8	127853.3	158704.3
% growth	25.1	22.0	4.0	24.1
Other Income	27490.0	29676.0	30498.9	32505.6
Depreciation	20754.0	21422.0	25694.3	32153.4
Interest	18594.0	19104.0	22711.3	26828.8
PBT	88965.0	112115.8	109946.7	132227.7
% Growth	29.7	26.0	-1.9	20.3
Tax provision	20427.0	28401.0	26077.4	33154.9
Adj PAT	68538.0	83714.8	83869.3	99072.8
% growth	12.9	22.1	0.2	18.1
Extra ordinary items	0.0	6006.0	6000.0	0.0
Reported PAT	68538.0	77708.8	77869.3	99072.8
% growth	12.9	13.4	0.2	27.2
Dividend (%)	32.0	35.0	38.0	40.0
No of Equity (In Mn)	8245.5	8245.5	8245.5	8245.5
EPS (Rs)	8.3	9.4	9.4	12.0
BVPS (Rs)	59.7	65.1	70.1	77.4

**Balance sheet (Rs mn)**

Y/E March	FY07	FY08	FY09E	FY10E
Equity Cap	82455.0	82455.0	82455.0	82455.0
Reserves	403513.0	447456.4	488666.3	549150.1
Networth	485968.0	529911.4	571121.3	631605.1
Total Debt	244844.0	255845.7	341043.1	451978.8
Net Deffered Tax Liability	1.0	1.0	1.0	1.0
Total Liability	737380.0	792325.1	918732.4	1090152.0
Net Block	424873.0	440809.3	585507.7	775223.5
Investments	160943.0	153554.9	146536.2	139868.4
CA Loans/Adv	221827.0	291093.7	275773.8	275453.9
Inventory	25102.0	30164.7	34816.8	37647.0
Debtors	12523.0	14347.6	16022.8	18174.4
Cash & Bank	133146.0	187885.3	159384.7	145280.7
Loans & Advances	40476.0	46398.2	51815.7	58773.7
CL & Provisions	70263.0	93132.4	89085.0	100393.6
Current Liabilities	54221.0	60628.7	70341.5	76550.5
Provisions	16042.0	32503.7	18743.5	23843.0
NCA	151564.0	197961.2	186688.8	175060.4
Total Assets	737380.0	792325.4	918732.7	1090152.3

**Ratio Analysis**

Y/E March	FY07	FY08	FY09E	FY10E
OPM(%)	30.9	32.9	30.6	33.5
NPM(%)	19.4	20.7	18.7	19.6
ROE(%)	13.9	15.6	14.5	15.5
ROCE(%)	18.9	21.3	19.0	19.5
Int cover(X)	6.9	8.0	7.0	7.1
Debt/Equity(X)	0.5	0.5	0.6	0.7
Asset turnover (x)	0.4	0.5	0.5	0.4
Debtors Days	14.0	14.0	14.0	14.0
Inventory Days	46.2	50.0	50.0	50.0
<b>Valuation Ratios (x)</b>				
P/E	21.9	17.9	17.9	15.1
P/CF per share	16.8	14.2	13.7	11.4
EV/EBDITA	12.5	10.3	10.6	9.4
EV/Sales	4.9	4.2	4.0	3.8
Mkt cap/Sales	4.6	4.0	3.6	3.2
CEPS(Rs)	10.8	12.8	13.3	15.9
P/BV	3.0	2.8	2.6	2.3

**Cash Flow Statement (Rs mn)**

Y/E March	FY07	FY08	FY09E	FY10E
PBT	88,965.0	106,109.8	103,946.7	132,227.7
Depreciation	20,754.0	21,422.0	25,694.3	32,153.4
Interest	14,837.0	19,104.0	22,711.3	26,828.8
Others	(12,291.0)	-	-	-
Operating CF	112,265.0	146,635.8	152,352.3	191,209.9
Change in WC	(6,100.0)	8,342.1	(17,228.1)	(2,475.6)
Gross Operating CF	106,165.0	154,977.8	135,124.2	188,734.3
Direct taxes paid	(25,512.0)	(28,401.0)	(26,077.4)	(33,154.9)
Net operating CF	80,653.0	126,576.8	109,046.8	155,579.4
Investing CF	(31,458.0)	(29,969.9)	(163,374.0)	(215,201.5)
Free Cash Flow	49,195.0	96,607.0	(54,327.2)	(59,622.0)
Financing CF	(763.0)	(41,867.7)	25,826.6	45,518.0
Net Change	48,432.0	54,739.3	(28,500.6)	(14,104.0)
Opening Cash	84,714.0	133,146.0	187,885.3	159,384.7
Closing Cash	133,146.0	187,885.3	159,384.7	145,280.7

Source: Reliance Money Research

## Reliance Money Research and Sales

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## Reliance Money Stock Rating

Rating	Stock Performance
BUY	Appreciate more than 15% in next 12 months
HOLD	Appreciate upto 15% in next 12 months
REDUCE	Depreciate upto 10% in next 12 months
SELL	Depreciate More than 10% in next 12 months

### Reliance Money:

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Equities: Trading through Reliance Securities Limited | NSE SEBI Registration Number Capital Market :- INB 231234833 |  
BSE SEBI Registration Number Capital Market :- INB 011234839 | NSE SEBI Registration Number Derivatives :- INF 231234833  
Commodities : Trading through Reliance Commodities Limited | MCX member code: 29030 | NCDEX member code: NCDEX-CO-05-00647|  
NMCE member code: CL0120 Mutual Funds : Reliance Securities Limited | AMFI ARN No.29889

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