

RESULTS REVIEW

Share Data

Market Cap	Rs. 1,526.2 bn
Price	Rs. 185.1
BSE Sensex	15,669.12
Reuters	NTPC.BO
Bloomberg	NATP IN
Avg. Volume (52 Week)	0.9 mn
52-Week High/Low	Rs. 199/125
Shares Outstanding	8,245.5 mn

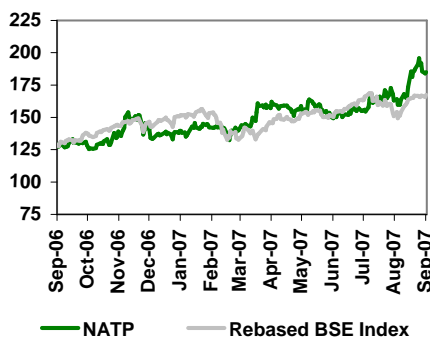
Valuation Ratios

Year to 31 March	2008E	2009E
EPS (Rs.)	9.5	11.7
+/- (%)	14.1%	22.4%
PER (x)	19.4x	15.8x
EV/ Sales (x)	4.2x	3.5x
EV/ EBITDA (x)	14.3x	11.7x

Shareholding Pattern (%)

Promoters	90
FII's	7
Institutions	1
Public & Others	2

Relative Performance



NTPC LIMITED

Hold

Power to fuel growth

NTPC Limited (NTPC) reported higher sales volume of 47.6 bn in the first quarter with net sales increasing 13.8% yoy to Rs. 84.3 bn as expected. The Company has announced 15.2% yoy rise in its adjusted net profit to Rs. 17.6 bn. The adjustments were on the account of 1) Prior period sales Rs. 5.1 bn, 2) Wage revision provisions Rs. 2.8 bn, 3) Forex gain Rs. 3.8 bn. The power major which has an installed capacity of 27,904 MW (21% of India's total installed capacity), put its nuclear campaign into utility mode while also focusing on adding hydro capacity and foraying into non-conventional energy sources, even though coal would continue to be the mainstay.

At the current market price of Rs.185.1, the stock is available at 15.8x FY09E earnings, which is reasonable. We believe NTPC is a stable and defensive play in volatile markets and advise our investors to HOLD the stock at current level.

Result Highlights

Revenues were up 13.8% yoy to Rs. 84.3 bn led by 13% yoy increase in sales volume and higher average selling price per unit (Rs. 1.75 per kwh vis-à-vis Rs. 1.67 per kwh). During the quarter NTPC added a capacity of 500 MW through Sipat power plant, which coupled with improved PLF resulted in an overall rise of 13.5% yoy in power generated units to 51.1 bn.

Key Figures (Standalone)

Quarterly data	1Q'07	4Q'07*	1Q'08	Q-o-Q%	Y-o-Y%
(Figures in Rs. mn, except per share data)					
Net Sales	74,082	88,603	84,285	(4.9)%	13.8%
EBITDA	22,506	23,397	24,421	4.4%	8.5%
Reported Net Profit	15,528	17,347	23,699	36.6%	52.6%
Adjusted Net Profit	15,318	17,347	17,648	1.7%	15.2%
Margins(%)					
EBITDA	30.4%	26.4%	29.0%		
Adjusted NPM	20.7%	19.6%	20.9%		
Per Share Data (Rs.)					
Adjusted EPS	1.9	2.1	2.1	1.7%	15.2%

Decreasing operational margins due to higher fuel cost

EBITDA margins decreased 1.4 pts led by increased staff cost and higher fuel charges. Fuel charges surged 2.7% yoy from Rs. 1.01 per kwh to Rs. 1.04 per kwh thereby creating pressure on operational margins. Decline in EPC business by 10.5 pts also contributed to the fall.

Adjusted net profit jumped 15.2% yoy to Rs 17.6 bn. The adjustments were on the account of 1) Prior period sales Rs. 5.1 bn (Rs. 1.1bn in Q1FY07), 2) Wage revision provisions Rs. 2.8 bn, 3) Forex gain Rs. 3.8 bn (Rs. 0.9 bn in Q1FY07).

Key Events

Manufacturing LED's

Forayed into LED lamps

In order to reduce the electricity household consumption and to provide electricity to all, the Company has stepped into the production of Light Emitting Diode (LED) lamps with Bangalore-based Society for Integrated Circuit Technology and Applied Research. These lamps will help to cut down 80% of electricity cost from the household sector. It will play an important role in providing electricity in rural areas at lower cost and thus a new line of business to the Company.

50:50 JV between BHEL and NTPC

NTPC and BHEL set to form JV

NTPC and BHEL signed the MOU to form a 50:50 JV to synergize their operations to set up power plants. The JV's main task would be to carry out EPC activities in the power sector on "mutually beneficial terms". The JV is the result of the allegations of both the companies on each other due to their slippage of target by 1,500 MW in the Xth five year plans. Thus, the formation of the new company will result in the achievement of targets set by the power major for the XIth five year plans.

Step towards fuel security

NTPC will produce more than 25% of the additional power generated by the country over the next five years

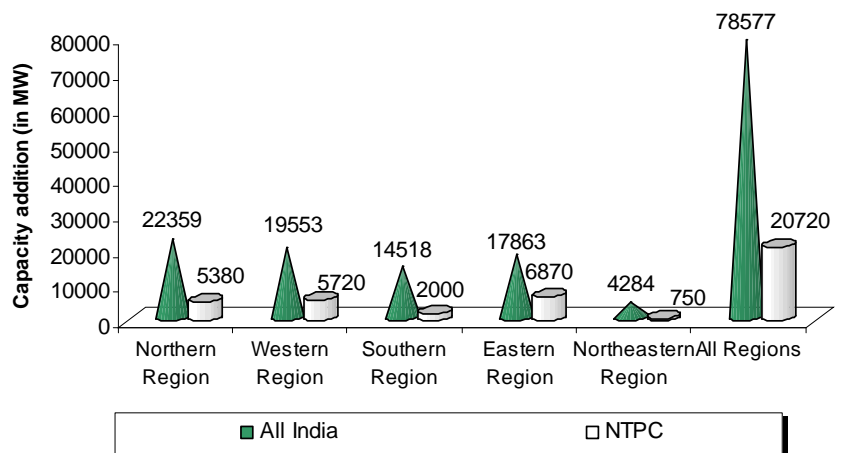
Backward integration model

NTPC has signed a joint venture agreement on May 11, 2007 with Singareni Collieries Company Limited (SCCL) to undertake various activities in coal and power sector including acquisition of coal/lignite blocks etc. Till now the Company has been allocated seven coal mine blocks (~47 MTPA capacity) and one oil and gas block, which will provide fuel security to NTPC.

Prospects

NTPC has chalked out huge expansion plans for the electricity generation by 2012 through the strategies like lateral integration, backward integration, forward integration, related diversification and globalization as well. The Company is looking ahead to add 20,720 MW of capacity from India's entire target of 78,577 MW by 2012.

NTPC's regionwise growth by 2012



Key Risks

- Uncertainty in fuel prices leads to fear of supply constraints
- Risk due to reforms in power sector
- Risk of delay in approval or losing contracts

The Company will almost double its capacity in the next five years

Outlook

NTPC stands to benefit from improving operational efficiency and consistent enhancement of its generation capacity. In terms of capacity addition, macro economic demand factors are favourable for growth and government has set ambitious targets to ramp up power generation capacity in the country. NTPC added a capacity of 500 MW during the quarter, and is expected to add 2,660 MW by FY08. NTPC is looking forward to enhance its generation capacity to 50,000 MW by 2012 and 75,000 MW by 2017 from just 27,904 MW at present. Moreover, the Company's plan to enter into downstream distribution would also help in business expansion. Diversification into gas fuel and hydro plants would help in securing the business model.

Driven by the integration model, we expect NTPC's revenues to grow at CAGR of 18.7% and earnings to grow at a CAGR of 18.2% to Rs. 11.7 by FY09E. At 15.8x FY09E earnings, we believe that the stock is fairly valued. Hence maintaining our target price of Rs. 200, we recommend Hold rating on the stock.

Key Figures (Consolidated)

Year to March	FY05	FY06	FY07	FY08E	FY09E	CAGR (%)
(Figures in Rs. mn, except per share data)						(FY07-09E)
Net Sales	235,161	275,754	338,757	393,218	477,680	18.7%
EBITDA	68,423	81,638	102,529	116,074	141,484	17.5%
Net Profit	58,987	62,972	70,472	80,263	97,950	17.9%
Margins(%)						
EBITDA	29.1%	29.6%	30.3%	29.5%	29.6%	
NPM	25.1%	22.8%	20.8%	20.4%	20.5%	
Per Share Data (Rs.)						
EPS	7.3	7.1	8.4	9.5	11.7	18.2%
PER (x)	11.8x	18.9x	22.1x	19.4x	15.8x	

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