

NTPC (NTPC)

₹ 172

WHAT'S CHANGED...

PRICE TARGET	₹ 192 to ₹ 185
EPS (FY12E)	₹11.5 to ₹ 10.9
EPS (FY13E)	₹ 12.2 to ₹ 11.2
RATING	Unchanged

Profits below estimates...

Revenues grossing up at the MAT rate, decline in availability of coal for thermal power stations, renovation and maintenance in thermal plants leading to higher expenditure, higher fuel cost (increase of 29% YoY), higher other income and increase in debtors days were the key highlights of Q3FY12 results of NTPC. Adjusted PAT post adjustments is ₹ 2153 crore (lower than our estimates of ₹ 2440 crore and Street estimates of ₹ 2300 crore). Average realisation per unit for the quarter stood at ₹ 2.94/kwhr (auxiliary consumption of 7.1%). While we like the regulated nature of its business, capacity addition backed by fuel security (to maintain 80%+ PLFs for coal based power plants), lower PAF due to muted coal production (resulting in under recovery of fixed charges), capacity slippages and back down by SEBs are key risks for the company. We maintain our HOLD rating on the stock mainly on account of possible under recoveries due to lower PAF (for thermal power stations).

Higher other expenditure due to repairs and maintenance

In Q3FY12, higher water charges and repairs and maintenance of power plants has led the increase in other expenditure of ₹ 150 crore. The company lost 2.7 billion units in Q3FY12 (4.8% of total generation) as against 5.3 billion units in Q3FY11.

Capacity addition of 4320 MW in FY12, ~4000 MW in FY13

The company remains confident of adding 4320 MW in FY12 (on a consolidated basis). As per CEA data, we expect a capacity addition of 2980 MW. Till date, the company has added 1820 MW and commercialised 1120 MW.

Valuation

At the CMP of ₹ 172, the stock is trading at P/E of 15.8x FY12E and 15.3x FY13E EPS, respectively. Similarly, on P/BV multiples, the stock is trading at 1.9x FY12E and 1.8x FY13E, respectively. Superior execution (in terms of commercialisation of power capacities) and higher PAF could re-rate the stock. We maintain our **HOLD** rating on the stock. Slippage in capacity ramp up in FY12 and backdown by SEBs are key risks to our call.

Exhibit 1: Financial Performance

	Q3FY12	Q3FY12E	Q3FY11	Q2FY12	QoQ (Chg %)	YoY (Chg %)
Net Sales	15,384	15,900	13,964	15,699	-2.0	10.2
EBITDA	2,908	3,838	3,758	3,560	-18.3	-22.6
EBITDA Margin (%)	18.9	24.1	26.9	22.68	378 bps	801 bps
Depreciation	756	700	599	658	14.8	26.3
Interest	450	437	493	331	35.8	-8.8
Reported PAT	2,131	2,443	2,371	2,424	-12.1	-10.2
EPS (₹)	2.6	3.0	2.9	2.9	-12.1	-10.2

Source: Company, ICICIdirect.com Research

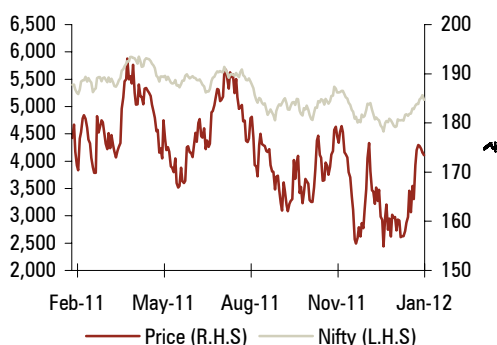
Rating matrix	
Rating	: Hold
Target	: ₹185
Target Period	: 12 months
Potential Upside	: 8%

Key Financials				
(₹Crore)	FY10	FY11	FY12E	FY13E
Net Sales	48205	58981	61187	64753
EBITDA	14319	16418	13917	15438
Net Profit	8728	8836	8991	9252

Valuation summary				
	FY10	FY11E	FY12E	FY13E
EPS (₹)	10.6	10.7	10.9	11.2
PE (x)	16.2	16.1	15.8	15.3
Target PE (x)	17.5	17.3	17.0	16.5
EV/EBITDA (x)	11.5	10.3	13.1	12.3
P/BV (x)	2.3	2.1	1.9	1.8
RoNW (%)	14.0	13.0	12.3	11.7
RoCE (%)	12.7	12.5	10.5	10.2

Stock data	
Market Capitalisation	₹ 143471 Crore
Debt (FY11)	₹ 43188 Crore
Cash (FY11)	₹ 16185 Crore
EV	₹ 171387 Crore
52 week H/L	₹ 195/152
Equity capital	₹ 8245 Crore
Face value	₹ 10
MF Holding (%)	1.2
FII Holding (%)	3.7

Price movement



Analyst's name

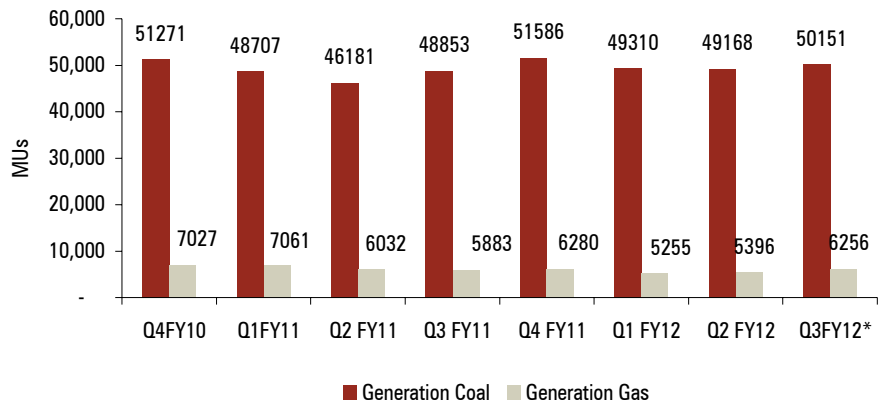
Chirag Shah
shah.chirag@icicisecurities.com
Darshan Dodhia
darshan.dodhia@icicisecurities.com

Key highlights of conference call

- Debtor days of the company have increased to 77 days in Q3FY12 (45 days in Q3FY11). However, the company maintained that SEBs are paying within 60 days. The increase is primarily on account of certain orders, which the company has received during the year
- Total expenditure incurred in coal blocks till Q3FY12 was ₹ 702.5 crore. Of these, ₹ 539.1 crore was incurred in the Pakri Barwadih coal block. The management expects to commence coal production in CY13 .Peak production in FY17 would be 15 MTPA
- The company is using coal average GCV of 3300 kcal
- The capex incurred as of 9MFY12 is ₹ 9200 crore. Total capex targeted by the company is ₹ 17411 crore in FY12
- Average domestic coal price for the company for 9MFY12 is ₹ 2446/tonne vs. ₹ 2031/ tonne (in 9MFY11)

Capex incurred in coal blocks is ₹ 702 crore

Exhibit 2: Trend in generation (million units)

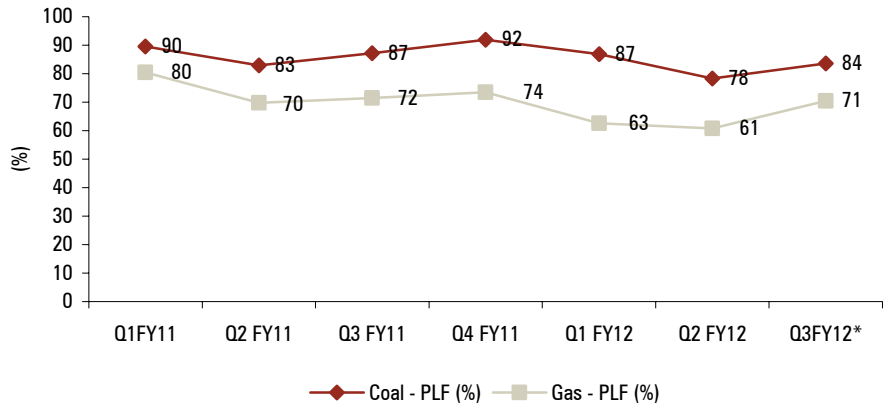


Generation of thermal power stations in Q3FY12 was the highest in the last three quarters mainly on account of higher PLFs (on a QoQ basis)

Source: CEA, Company, ICICIdirect.com Research

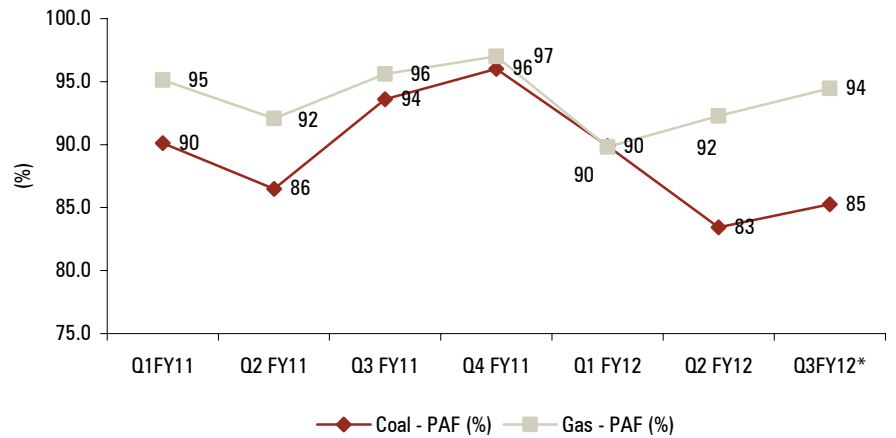
* December monthly generation numbers are provisional in nature.

Exhibit 3: Trend in PLFs of coal and gas based power



Source: CEA, ICICIdirect.com Research

Exhibit 4: Trend in coal and gas based PAF*



Source: Company, ICICIdirect.com Research

* PAF = Plant availability factor

PLFs of coal stations improved on QoQ basis. However, due to repairs and maintenance of certain thermal stations it was down on YoY basis

Coal and gas PAF improved on a QoQ basis. However, it declined on a YoY basis

Exhibit 5: Capacity addition of 2980 MW in FY12

Project/ Unit	Capacity (MW)	COD	Status
Sipat- Stage 1 Unit 1	660	Jul-11	Commissioned in July 2011
Sipat- Stage 1 Unit 2	660	Dec-11	Commissioned in July 2011
Sipat- Stage 1 Unit 3	660	Mar-12	
Jhajjar Phase 1	500	Oct-11	Commissioned in Oct 2011
Vallur (Phase -I)			
- JV With TNEB, Tamil Nadu	500	Feb-12	Box up completed in September 2011
Simhadri *	500	Apr-12	Boiler light up and TG box completed in November 2011 (Slipped from FY12)
Total	2,980		

Source: CEAIICIdirect.com Research

* Simhadri unit which was expected to be commission in FY12 will now be commissioned in FY13

Exhibit 6: Units expected to be commercialised in FY12

Project/ Unit	Capacity (MW)	Commercialisation quarter
Farakka Unit 6	500	Q4 FY12
Simhadri Unit 3	500	Commercialised
Sipat- Stage 1 Unit 1	660	Commercialised
Sipat- Stage 1 Unit 2	660	Q4 FY12
Jhajjar Phase 1	500	Q4 FY12
Total	2,820	

Source: Company, ICICIdirect.com Research

The company undertook repairs and maintenance in some of the thermal power stations resulting in lower PLFs for the quarter.

Exhibit 7: PLFs of coal based plants (%)

Plants	Capacity*	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11(P)
Badarpur	705	76	58	75	80	85	84	84	85	77	77	81	75	60	63	70
Dadri	1820	93	59	55	92	96	96	98	95	86	88	79	85	87	89	88
Farakka	2100	78	77	81	90	85	79	60	67	76	80	59	52	70	74	84
Kahalgaoon	2340	75	74	77	73	70	85	72	68	54	61	54	57	57	73	58
Korba	2600	102	97	79	94	97	97	87	76	85	96	99	37	69	92	75
Ramagundam	2600	77	86	85	88	99	92	80	94	101	99	96	83	80	93	93
Rihand	2000	98	94	101	101	100	103	102	100	95	99	83	69	82	94	93
Simhadri	1500	97	89	99	105	104	105	100	102	103	104	96	94	79	74	79
Singrauli	2000	94	102	100	104	99	102	81	86	86	92	76	77	80	101	92
Sipat	2320	90	62	104	104	104	105	66	103	101	100	94	102	102	101	101
Talcher - Old	470	97	79	95	100	96	98	99	99	98	80	84	74	72	89	99
Talcher - STPS	3000	89	91	89	91	76	92	94	95	82	58	71	74	77	79	80
Tanda	440	92	87	102	101	100	100	100	92	73	67	73	71	88	102	97
Unchahar	1050	94	89	96	99	98	86	84	82	90	97	83	77	77	98	93
Vindhyachal	3260	89	92	98	100	101	101	96	96	86	88	74	71	85	98	100
	28205															

Source: CEA, ICICIdirect.com Research

We have revised our EBITDA numbers downwards in FY12 and FY13 due to higher fuel costs, lower PAF and provisions. Slower commercial generation will have an impact on PAT numbers in FY12 and FY13. We have assumed gross up of revenues at normal tax rate.

Exhibit 8: Revised FY12 and FY 13 PAT estimates downwards by 5.5% and 8.1% respectively

	FY12E estimates			FY13E estimates		
	Previous	Revised	% Change	Previous	Revised	% Change
Sales	60480	61187	1.2	64309	64753	0.7
EBITDA	18864	13917	-26.2	19707	15438	-21.7
EBITDA (%)	31.2	22.7		30.6	23.8	
PAT	9513	8991	-5.5	10049	9252	-7.9

Source: ICICIdirect.com Research

Projects of ~12933 MW under construction

NTPC is currently engaged in construction activities for projects representing ~12933 MW.

Exhibit 9: Projects under construction

Project/ Unit	Capacity (MW)
Sipat-I (Coal), Chhattisgarh	660
Barh -I (Coal), Bihar	1,980
Simhadri-II (Coal), Andhra Pradesh	500
Indira Gandhi STPP - JV With HPGCL & IPGCL (Coal), Haryana	500
Vallur (Phase -I & Phase -II) - JV With TNEB, Tamil Nadu	1,500
Nabinagar-JV With Railways (Coal), Bihar	1,000
Bongaigaon (Coal), Assam	750
Mauda-I (Coal), Maharashtra	1,000
Barh-II (Coal), Bihar	1,320
Rihand-III (Coal), UP	1,000
Vindhyachal-IV (Coal), MP	1,000
Muzaffarpur-II (Coal), JV With BSEB, Bihar	390
Koldam (Hydro), H.P	800
Tapovan Vishnugad (Hydro), Uttaranchal	520
Solar Power	5
Singrauli Hydro power	8
Total	12,933

Source: Company, ICICIdirect.com Research

Financial summary

Profit and loss statement

(₹ Crore)				
(Year-end March)	FY10	FY11	FY12E	FY13E
Total operating Income	48,204.8	58,981.3	61,187.2	64,752.7
Growth (%)	4.7	18.5	9.6	5.3
Raw Material Expenses	29,462.7	35,373.8	41,443.0	42,830.9
Employee Expenses	2,412.4	2,789.7	2,791.6	2,974.9
Other expenses	2,010.6	4,400.0	3,035.4	3,509.3
Total Operating Expenditure	33,885.7	42,563.5	47,270.0	49,315.1
EBITDA	14,319.1	16,417.9	13,917.2	15,437.6
Growth (%)	-10.4	14.7	-15.2	10.9
Depreciation	2,650.1	2,485.7	2,755.4	3,401.5
Interest	1,808.9	2,149.0	1,547.5	2,422.0
Other Income	1,025.3	0.0	2,192.8	2,527.6
PBT	10,885.5	11,783.2	11,807.0	12,141.7
Others	0.0	0.0	0.0	0.0
Total Tax	2,158.0	2,947.0	2,815.8	2,889.7
PAT	8,727.5	8,836.1	8,991.2	9,252.0
Growth (%)	-16.3	1.2	1.8	2.9
EPS (₹)	10.6	10.7	10.9	11.2

Source: Company, ICICIdirect.com Research

Balance sheet

(₹ Crore)				
(Year-end March)	FY10	FY11	FY12E	FY13E
Liabilities				
Equity Capital	8,245.5	8,245.5	8,245.5	8,245.5
Reserve and Surplus	54,192.0	59,646.8	64,990.2	70,594.3
Total Shareholders funds	62,437.4	67,892.3	73,235.6	78,839.8
Total Debt	37,797.0	43,188.2	53,688.2	64,188.2
AAD	1,610.8	854.5	897.2	942.1
Minority Interest / Others	270.3	699.5	734.5	771.2
Total Liabilities	102,115.6	112,634.5	128,555.5	144,741.3
Assets				
Gross Block	66,850.07	72,755.2	87,755.2	102,755.2
Less: Acc Depreciation	32,088.8	33,519.2	36,274.6	39,676.1
Net Block	34,761.3	39,236.0	51,480.5	63,079.0
Capital WIP	32,489.6	38,729.8	40,943.4	41,817.8
Total Fixed Assets	67,250.9	77,965.7	92,423.9	104,896.9
Investments	14,807.1	12,344.8	11,110.4	9,999.3
Inventory	3,347.7	3,639.1	4,277.9	5,202.7
Debtors	6,651.5	7,924.3	12,025.2	13,611.5
Loans and Advances	5,513.1	6,601.1	6,687.7	7,358.3
Other Current Assets	844.0	1,047.0	1,447.8	1,841.0
Cash	14,459.5	16,185.3	13,712.3	15,381.3
Total Current Assets	30,815.8	35,396.8	38,150.8	43,394.6
Creditors	3,009.1	3,797.2	3,873.1	3,950.6
Other Liabilities	4,678.5	6,523.3	6,849.5	7,192.0
Provisions	3,070.6	2,752.4	2,407.0	2,407.0
Total Current Liabilities	10,758.2	13,072.9	13,129.6	13,549.5
Net Current Assets	20,057.6	22,323.9	25,021.2	29,845.1
Others Assets	0.0	0.0	0.0	0.0
Application of Funds	102,115.6	112,634.5	128,555.5	144,741.3

Source: Company, ICICIdirect.com Research

Cash flow statement

(Year-end March)	FY10	FY11	FY12E	FY13E
Profit Before Tax	10,807.6	10,410.9	11,807.0	12,141.7
Add: Depreciation	2,650.1	2,485.7	2,755.4	3,401.5
(Inc)/dec in Current Assets	-865.1	-3,940.3	-5,999.0	-3,574.9
Inc/(dec) in CL and Provisions	-564.5	1,478.6	795.8	495.9
Others	-1,416.8	660.6	-2,815.8	-2,889.7
CF from operating activities	10,611.3	11,095.4	6,543.4	9,574.5
(Inc)/dec in Investments	276.2	3,456.1	1,234.5	1,112.0
(Inc)/dec in Fixed Assets	-10,790.6	-11,115.0	-15,000.0	-15,000.0
Others	0.0	0.0	0.0	0.0
CF from investing activities	-10,514.4	-7,658.9	-13,765.5	-13,888.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	4,327.5	5,047.6	10,500.0	10,500.0
Dividend paid & dividend tax	-3,663.6	-3,651.3	-3,647.8	-3,647.8
Inc/(dec) in Sec. premium	0.0	0.0	0.0	0.0
Others	-2,572.4	-3,106.8	-1,547.5	-2,422.0
CF from financing activities	-1,908.5	-1,710.6	5,304.7	4,430.2
Net Cash flow	-1,811.6	1,726.0	-1,917.4	116.7
Opening Cash	15,715.2	13,903.7	15,629.7	15,264.6
Closing Cash	13,903.6	15,629.7	13,712.3	15,381.3

Source: Company, ICICIdirect.com Research

Key ratios

(Year-end March)	FY10	FY11	FY12E	FY13E
Per share data (₹)				
EPS	10.6	10.7	10.9	11.2
Cash EPS	13.8	13.7	14.2	15.3
BV	75.7	82.3	88.8	95.6
DPS	4.9	4.4	4.4	4.4
Cash Per Share	17.5	19.6	16.6	18.7
Operating Ratios (%)				
EBITDA Margin	29.7	27.8	22.7	23.8
PBT / Total Operating income	22.6	20.0	19.3	18.8
PAT Margin	18.1	15.0	14.7	14.3
Inventory days	41.5	37.5	37.7	44.3
Debtor days	50.4	49.0	71.7	76.7
Creditor days	10.2	10.7	9.3	6.1
Return Ratios (%)				
RoE	14.0	13.0	12.3	11.7
RoCE	12.7	12.5	10.5	10.2
RoIC	7.5	7.6	7.3	7.1
Valuation Ratios (x)				
P/E	16.2	16.1	15.8	15.3
EV / EBITDA	11.5	10.3	13.1	12.3
EV / Net Sales	3.4	2.9	3.0	2.9
Market Cap / Sales	2.9	2.4	2.3	2.2
Price to Book Value	2.3	2.1	1.9	1.8
Solvency Ratios				
Debt/EBITDA	2.6	2.6	3.9	4.2
Debt / Equity	0.6	0.6	0.7	0.8
Current Ratio	4.0	3.4	3.6	3.9
Quick Ratio	1.9	1.6	1.3	1.4

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Power)

					Sales (₹ cr)	EPS (₹)	PE (x)	EV/E (x)	PB (x)	RoNW (%)	RoCE (%)
NTPC											
Idirect Code	NTPC	CMP	172	FY11	58981.3	10.7	16.1	10.3	2.1	13.0	12.5
		Target	185	FY12E	61187.2	10.9	15.8	13.1	1.9	12.3	10.5
Mcap(₹ cr)	141,814.0	% Upside	7.6	FY13E	64752.7	11.2	15.4	12.3	1.8	11.7	9.8
Lanco Infratech											
Idirect Code	LANINF	CMP	15	FY11	7783.8	1.9	7.9	10.0	0.8	12.7	6.8
		Target	17	FY12E	9734.7	1.0	14.8	8.2	0.8	6.3	5.6
Mcap(₹ cr)	3,530.5	% Upside	15.3	FY13E	10986.1	1.3	10.9	7.6	0.8	7.1	5.7
Neyveli Lignite											
Idirect Code	NEYLIG	CMP	87	FY11	3949.1	7.7	11.2	11.0	1.2	11.7	5.3
		Target	91	FY12E	4529.7	6.7	13.0	10.2	1.1	10.0	4.6
Mcap(₹ cr)	14,596.1	% Upside	4.6	FY13E	6192.7	7.7	11.3	8.8	1.1	9.9	4.1
PTC											
Idirect Code	POWTRA	CMP	49	FY11	9,063.2	4.7	10.4	15.6	0.6	6.2	6.3
		Target	80	FY12E	9,298.7	4.4	11.1	15.5	0.6	5.5	6.3
Mcap(₹ cr)	1,445.5	% Upside	63.3	FY13E	13,612.4	5.0	9.7	15.0	0.6	5.8	5.8
NHPC											
Idirect Code	NHPC	CMP	21	FY11	4225.3	1.8	11.6	13.0	1.0	8.8	6.7
		Target	28	FY12E	5219.9	1.8	11.1	12.7	1.0	8.7	7.6
Mcap(₹ cr)	25,215.0	% Upside	36.6	FY13E	5950.8	2.1	9.5	11.5	0.9	9.5	8.1
JP Power											
Idirect Code	JAIHYD	CMP	43	FY11	840.7	0.8	54.6	23.3	2.5	7.5	4.7
		Target	45	FY12E	1981.2	1.2	35.9	5.4	2.1	20.2	14.5
Mcap(₹ cr)	11291.8	% Upside	4.7	FY13E	3414.1	4.8	9.0	5.4	0.9	9.8	5.4
Tata Power											
Idirect Code	TATPOW	CMP	103	FY11	19450.8	8.8	11.7	10.2	1.9	15.9	10.6
		Target	96	FY12E	23953.3	6.6	15.6	8.8	1.7	11.0	11.1
Mcap(₹ cr)	24411.0	% Upside	-6.8	FY13E	27096.9	8.2	12.5	9.0	1.5	12.2	9.8
CESC											
Idirect Code	CESC	CMP	250	FY11	4942.5	22.1	11.3	8.0	0.9	5.9	7.4
		Target	302	FY12E	5657.4	31.4	8.0	7.4	0.8	8.0	8.0
Mcap(₹ cr)	3150.0	% Upside	20.8	FY13E	6665.7	32.8	7.6	8.4	0.8	7.9	7.4

Source: ICICIdirect.com Research

Exhibit 10: Recommendation History



Source: ICICIdirect.com Research

Exhibit 11: Recent Releases

Date	Event	CMP	Target Price	Rating
2-Feb-11	Q3FY11 Result Update	180	202	Buy
6-Apr-11	Company update	192	202	Add
8-Apr-11	Q4FY11 Preview	184	202	Add
13-May-11	Q4FY11 Result Update	175	202	Buy
5-Jul-11	Q1 FY12 Preview	185	202	Hold
2-Aug-11	Q1 FY12 Review	181	202	Buy
26-Sep-11	Company update	164	202	Buy
5-Oct-11	Q2 FY12 Preview	164	202	Buy
28-Oct-11	Q2 FY12 Review	174	192	Hold
6-Jan-12	Q3 FY12 Preview	157	192	Hold

Source: ICICIdirect.com Research

RATING RATIONALE

ICICIdirect.com endeavours to provide objective opinions and recommendations. ICICIdirect.com assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Strong Buy, Buy, Hold and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Strong Buy: > 15%/20% for large caps / midcaps, respectively, with high conviction;

Buy: > 10%/ 15% for large caps / midcaps, respectively;

Hold: Up to +/-10%;

Sell: -10% or more;

Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICIdirect.com Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No. 7, MIDC,
Andheri (East)
Mumbai – 400 093**

research@icicidirect.com

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