

NTPC Ltd

Key Stock Indicators

NSE Ticker :	NTPC	CMP (as on 30 Nov 2010—Rs/share) :	184.0	Shares outstanding (mn) :	8,245.5
Bloomberg Ticker :	NATP:IN	52-week range up to 30 Nov 2010 (Rs)(H/L):	235.65/176.95	Free Float (%) :	16.0
Face value / Share:	10.0	Market Cap as on 30 Nov 2010 (Rs mn):	1,517,165	Average daily volumes (12 months) :	2,978,265
Div. Yield (%):	2.1	Enterprise Value as on 30 Nov 2010 (Rs mn):	1,799,012	Beta (2 year) :	0.7

National Thermal Power Corporation (NTPC) is India's largest power generator, with capacity and generation shares of 19% and 29%, respectively, as on FY09. The company has projects totalling about 18,000 MW (including joint ventures) in various stages of execution. The Government of India (GoI) holds an 84.5 per cent stake in the company.

KEY HIGHLIGHTS

Largest power generation player in the country

NTPC is the leader in India's power generation business, with capacity and generation shares of 19 per cent and 29 per cent respectively. Huge power deficit of more than 10 per cent provides good industry prospects. NTPC is one of the most efficient power generators in the country. Mandated returns provide stable earnings and cash flow. New CERC tariff norms (2009-14) have further improved the profitability of the power business. NTPC is currently executing ~18,000 MW of power capacities.

Backward integration to aid growth prospects

NTPC's ability to execute projects within timelines and budgets depends considerably on the timely procurement of BTG and BoP while its operational capability depends on continuous availability of fuel. In order to ensure timely and economical fuel availability and equipment supply for its projects, the company is undergoing backward integration by entering captive coal mining and equipment manufacturing (Boiler Turbine Generator and Balance of Plant), primarily through joint ventures with companies having expertise in these areas.

KEY RISKS

- Project execution milestones – power projects & captive coal mines
- Critical level of coal in plants and import of coal
- Availability and pricing of gas
- Progress on reforms by state electricity boards

Stock Performances vis-à-vis market

	Returns (%)			
	YTD	1-m	3-m	12-m
NTPC Ltd	-11	-5	-6	-12
NIFTY	11	-4	7	14

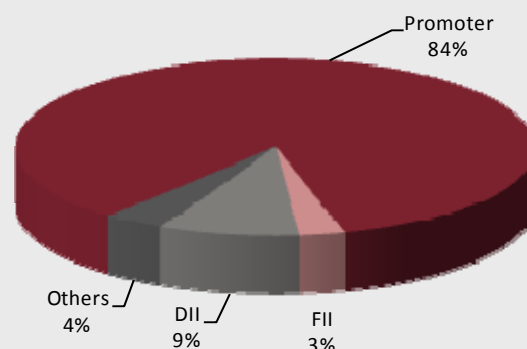
Note:
 1) YTD returns are since April 1, 2010 to Nov 30, 2010.
 2) 1-m, 3-m and 12-m returns are up to Nov 30, 2010.

Key Financial Indicators

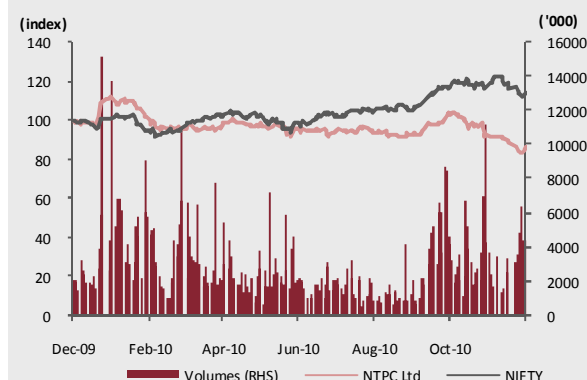
	Mar-08	Mar-09	Mar-10
Revenue (Rs mn)	387,740.0	442,068.0	484,671.0
EBITDA margins (%)	28.8	22.9	26.1
PAT (Rs mn)	74,699.0	80,925.0	88,377.0
PAT margins (%)	19.3	18.3	18.2
Gearing (x)	0.6	0.7	0.7
EPS (Rs/share)	9.1	9.8	10.7
PE (x)	21.7	18.3	17.2
P/BV (x)	3.1	2.6	2.4
RoCE (%)	14.0	13.5	12.7
RoE (%)	14.7	14.7	14.8
EV/EBITDA (x)	15.9	16.8	14.2

n.m. : Not meaningful

Shareholding (As on September 30, 2010)



Indexed price chart



BACKGROUND

NTPC is the largest power generator in the country with a capacity of more than 30,000 MW. It generated ~218.8 BU in FY10 compared to ~206.9 BU in FY09 witnessing a growth of 5.8 per cent. The incremental generation was owing to the additional 990 MW capacity additions during the year. Also, the increased contribution from the gas-based generation led to a better performance. NTPC has achieved an overall PLF of 90.81 per cent during 2009-10 compared to the national PLF of 77.48 per cent. The new tariff regulations have increased the return on equity from 14.0 per cent to 15.5 per cent for existing plants, effective from 2009-10 onwards, with an additional return of 0.5 per cent for completion of projects within the stipulated time frame.

Within the power sector, central sector generation companies have performed better financially vis-à-vis SEBs, on account of higher efficiency and support provided by the government through equity infusion, low-interest rate loans, import duty exemptions (in the case of mega power projects). Moreover, the Ahluwalia Committee's measures on SEB dues have led to improved cash flows to central utilities by establishing additional payment security mechanisms.

NTPC's ability to execute projects within timelines and budgets depends considerably on the timely procurement of BTG and BoP while its operational capability depends on continuous availability of fuel. In order to ensure timely and economical fuel availability and equipment supply for its projects, the company is undergoing backward integration by entering captive coal mining and equipment manufacturing (Boiler Turbine Generator and Balance of Plant), primarily through joint ventures with companies having expertise in these areas.

COMPETITIVE POSITION

Peer Comparison

	NTPC Ltd.	N H P C Ltd.	Neyveli Lignite Corpn. Ltd.	Tata Power Co. Ltd.
	Mar-10	Mar-10	Mar-10	Mar-10
Revenue (Rs mn)	484,671.0	44,662.2	42,104.8	189,395.3
EBITDA margins (%)	26.1	83.0	40.9	23.8
PAT (Rs mn)	88,377.0	22,265.5	12,458.7	21,307.4
PAT Margin (%)	18.2	49.9	29.6	11.3
Gearing (x)	0.7	0.7	0.4	2.3
EPS (Rs/share)	10.7	1.8	8.0	37.9
PE(x)	17.2	15.8	16.9	34.7
P/BV (x)	2.4	1.4	2.1	2.8
RoCE (%)	12.7	6.5	12.4	14.7
RoE (%)	14.8	8.9	12.1	26.6
EV/EBITDA (x)	14.2	12.5	12.8	10.5

n.m: Not meaningful

FINANCIAL PROFILE

Robust growth and improving profitability

During 2009-10, the operating income of the company for the year increased by 9.6 per cent to Rs 485 billion from Rs 442 billion in 2008-09 mainly on account of the increased tariff structure notified by CERC. Operating margins registered a rise of 320 basis points while net margins remained flat due to a 68 per cent decline in other income.

In absolute terms, NTPC's debt levels have gone up by around Rs 52.6 billion in 2009-10. Despite the increase in debt levels, gearing continued to remain comfortable at 0.7 times. Healthy profits and stable gearing resulted in its coverage indicators remaining strong.

Key Financial Indicators

	Units	Mar-08	Mar-09	Mar-10
Revenue	Rs million	387,740.0	442,068.0	484,671.0
EBITDA margins	Per cent	28.8	22.9	26.1
PAT	Rs million	74,699.0	80,925.0	88,377.0
PAT margins	Per cent	19.3	18.3	18.2
Revenue growth	Per cent	14.2	14.0	9.6
EBITDA growth	Per cent	17.2	-9.3	24.9
PAT growth	Per cent	11.5	8.3	9.2
Gearing	Times	0.6	0.7	0.7
RoCE	Per cent	14.0	13.5	12.7
RoE	Per cent	14.7	14.7	14.8

INDUSTRY PROFILE

Power generation – Central utilities

The central sector is the second-largest player in terms of installed generation capacity and one of the most efficient in terms of power generation. The central sector generating units (CGUs) like NTPC, NHPC, Neyveli Lignite Ltd etc. account for about 32 per cent of the total installed capacity in the country. CGUs sell the power generated by them to State Electricity Boards (SEBs) as the SEBs monopolise power distribution. CGUs benefit from low demand risk, relatively easy access to fuel, assured offtake of power and favourable government policies. In view of their cost-competitiveness on account of large-scale operations and older and depreciated CGU plants, they are well placed to cater to the expected demand, as they rank higher than private generation entities in the merit-order dispatch, resulting in higher preference towards offtake of power. The CERC norms for tariff regulations have increased the return on equity from 14.0 per cent to 15.5 per cent for existing plants, effective 2009-10 onwards.

ANNUAL RESULTS

Income Statement

(Rs million)	Mar-08	Mar-09	Mar-10
Net Sales	382,934.0	436,802.0	476,917.0
Operating Income	387,740.0	442,068.0	484,671.0
EBITDA	111,590.0	101,267.0	126,501.0
EBITDA Margin	28.8	22.9	26.1
Depreciation	22,273.0	25,146.0	29,170.0
Interest	11,381.0	14,069.0	13,404.0
Other Income	28,338.0	31,953.0	26,322.0
PBT	99,875.0	107,026.0	115,718.0
PAT	74,699.0	80,925.0	88,377.0
PAT Margin	19.3	18.3	18.2
No. of shares (Mn No.)	8245.5	8245.5	8245.5
Earnings per share (EPS)	9.1	9.8	10.7

Cash flow

(Rs million)	Mar-08	Mar-09	Mar-10
Pre-tax profit	106,274.0	94,005.0	110,249.0
Total tax paid	-25,175.0	-26,102.0	-25,045.0
Depreciation	22,273.0	25,146.0	29,170.0
Change in working capital	-1,923.0	-3,504.0	-13,315.0
Cash flow from operating activities	101,449.0	89,545.0	101,059.0
Capital Expenditure	-98,531.0	-146,194.0	-135,084.0
Investments and others	16,958.0	17,510.0	-816.0
Cash flow from investing activities	-81,573.0	-128,684.0	-135,900.0
Equity raised/(repaid)	588.0	-614.0	0.0
Debt raised/(repaid)	35,578.0	83,733.0	52,639.0
Dividend (incl. tax)	-33,868.0	-34,784.0	-36,815.0
Others (incl. extraordinary)	-5,550.0	9,704.0	7,042.0
Cash flow from financing activities	-3,252.0	58,039.0	22,866.0
Change in cash position	16,624.0	18,900.0	-11,975.0
Opening cash	136,981.0	153,605.0	172,505.0
Closing cash	153,605.0	172,505.0	160,530.0

n.m.: Not meaningful;

Balance sheet

(Rs million)	Mar-08	Mar-09	Mar-10
Equity share capital	82,455.0	82,455.0	82,455.0
Reserves and surplus	446,916.0	489,232.0	542,374.0
Tangible net worth	529,371.0	571,687.0	624,829.0
Deferred tax liability: asset	2.0	1.0	2,297.0
Long-term debt	282,556.0	360,357.0	402,805.0
Short-term-debt	23,449.0	29,381.0	39,572.0
Total debt	306,005.0	389,738.0	442,377.0
Current liabilities	75,585.0	105,584.0	113,406.0
Total provisions	24,360.0	33,825.0	32,195.0
Total liabilities	935,323.0	1,100,835.0	1,215,104.0
Gross block	555,942.0	646,609.0	714,238.0
Net fixed assets	537,406.0	658,560.0	764,481.0
Investments	134,470.0	116,960.0	117,776.0
Current assets	263,447.0	325,315.0	332,847.0
Receivables	31,727.0	38,189.0	70,808.0
Inventories	27,811.0	34,108.0	35,835.0
Cash	153,605.0	172,505.0	160,530.0
Total assets	935,323.0	1,100,835.0	1,215,104.0

Ratio

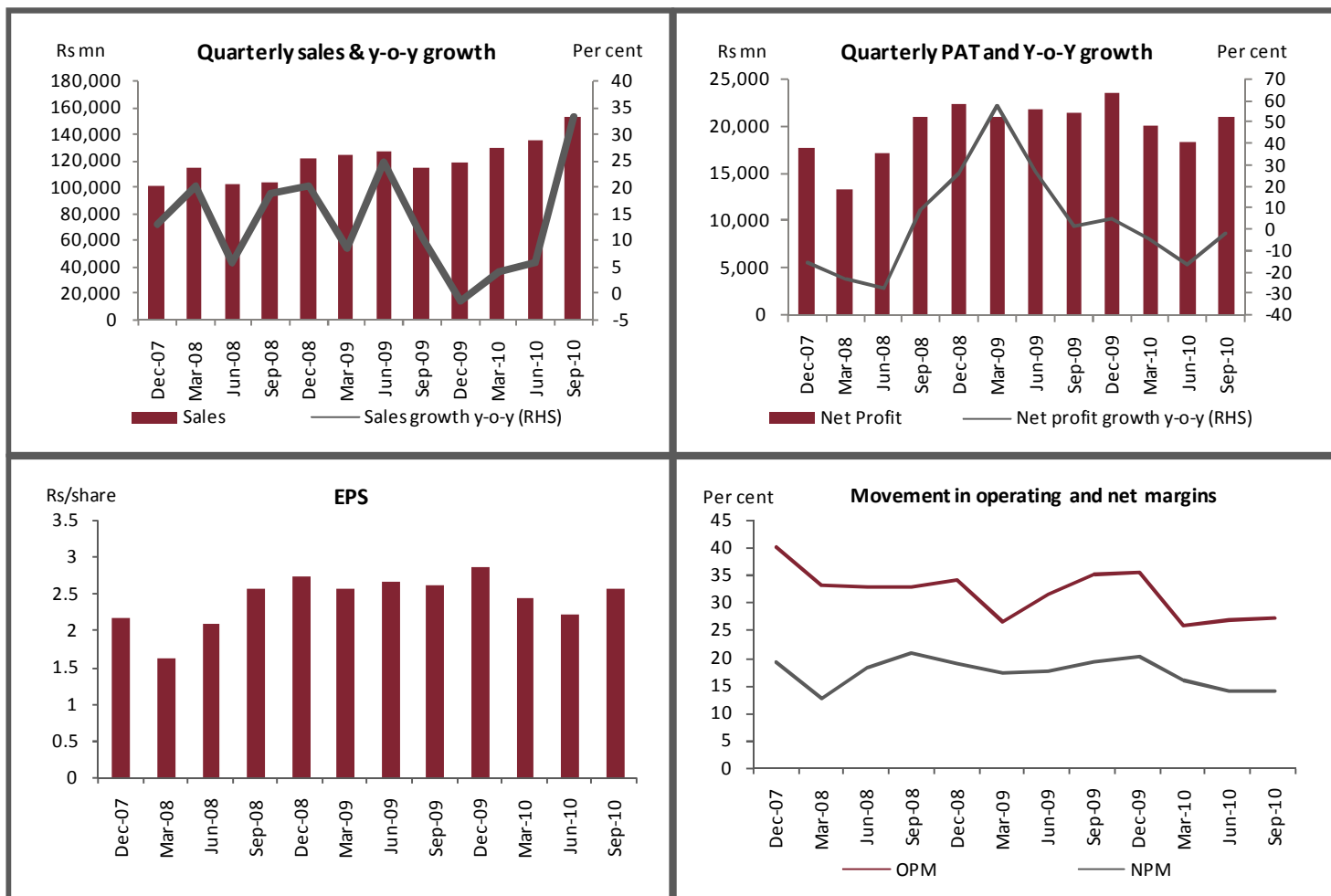
	Mar-08	Mar-09	Mar-10
Revenue growth (%)	14.2	14.0	9.6
EBITDA growth(%)	17.2	-9.3	24.9
PAT growth(%)	11.5	8.3	9.2
EBITDA margins(%)	28.8	22.9	26.1
Tax rate (%)	25.2	24.4	21.6
PAT margins (%)	19.3	18.3	18.2
Dividend payout (%)	38.7	36.7	35.6
Return on Equity (%)	14.7	14.7	14.8
Return on capital employed (%)	14.0	13.5	12.7
Gearing (x)	0.6	0.7	0.7
Interest coverage (x)	9.8	7.2	9.4
Debt/EBITDA (x)	2.7	3.8	3.5
Asset turnover (x)	0.7	0.7	0.7
Current ratio (x)	2.2	1.9	1.9
Gross current assets (days)	222	231	228

QUARTERLY RESULTS

Standalone Profit and loss account

(Rs million)	Sep-10	% of Rev	Sep-09	% of Rev	Jun-10	% of Rev	Sep-10	% of Rev	Sep-09	% of Rev
No of Months	3		3		3		6		6	
Revenue	153,673.6	100.0	115,237.9	100.0	135,294.2	100.0	288,968.6	100.0	243,027.5	100.0
EBITDA	41,254.7	26.8	39,547.3	34.3	35,716.6	26.4	76,971.3	26.6	79,066.8	32.5
Interest	5,902.0	3.8	5,406.9	4.7	5,357.5	4.0	11,259.5	3.9	9,853.6	4.1
Depreciation	5,062.8	3.3	6,437.5	5.6	6,827.2	5.0	11,890.0	4.1	12,565.4	5.2
PBT	30,289.9	19.7	27,702.9	24.0	23,531.9	17.4	53,821.8	18.6	56,647.8	23.3
PAT	21,073.8	13.7	21,519.5	18.7	18,418.9	13.6	39,492.7	13.7	43,455.7	17.9

FOCUS CHARTS & TABLES



Shareholding Pattern (Per cent)

	Dec 2009	Mar 2010	Jun 2010	Sep 2010
Promoter	89.5	84.5	84.5	84.5
FII	2.4	2.6	2.6	2.9
DII	4.9	9.0	9.1	8.8
Others	3.3	3.9	3.9	3.9

Board of Directors

Director Name	Designation
Arup Roy Choudhury (Dr.)	Executive Chairman & Managing
Mahendrakumar Nilkanthrai Buch (Mr.)	Non-Executive Director
Krishnan Dharmarajan (Mr.)	Non-Executive Director
Adesh Chandra Jain (Mr.)	Non-Executive Director
Dinesh Kumar Jain (Mr.)	Wholetime Director
Rakesh Jain (Mr.)	Nominee Director-Goi
Inderjit Kapoor (Mr.)	Director
Indra Chandra Prasad Keshari (Mr.)	Nominee Director
Narendra Nath Misra (Mr.)	Wholetime Director, Executive Director
Shanti Narain (Mr.)	Non-Executive Director
Kanwal Nath (Mr.)	Non-Executive Director
Santosh Nautiyal (Mr.)	Non-Executive Director
Govinda Marapalli Rao (Dr.)	Non-Executive Director
Arun Kumar Sanwalka (Mr.)	Non-Executive Director
Prasenjit Kumar Sen Gupta (Mr.)	Non-Executive Director
Bhajan Pratap Singh (Mr.)	Director
Shailendra Pal Singh (Mr.)	Wholetime Director, Executive Director
Ashok Kumar Singhal (Mr.)	Director

Additional Disclosure

This report has been sponsored by NSE - Investor Protection Fund Trust (NSEIPFT).

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