

BSE SENSEX 16,863
S&P CNX 5,087

CMP: INR172

Buy

		Year End*	Net Sales (INR m)	PAT * (INR m)	EPS* (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
Bloomberg Equity Shares (m)	NTPC IN 8,245.5	03/10A	463,226	84,540	10.3	4.7	16.8	-	14.1	14.1	-	-
52-Week Range (INR)	195/152	03/11A	548,740	79,580	9.7	-5.9	17.8	2.1	12.2	12.2	3.1	12.8
1,6,12 Rel. Perf. (%)	-2/5/-2	03/12E	638,430	78,966	9.6	-0.8	18.0	1.9	11.2	11.2	2.9	12.6
M.Cap. (INR b)	1,418.2	03/13E	756,527	90,694	11.0	14.9	15.6	1.8	12.0	12.0	2.6	12.0
M.Cap. (USD b)	28.6											

* Pre Exceptional Earnings; We have factored in RoE gross-up based on MAT wef FY11 onwards

- Adjusted PAT lower than Estimates:** During 3QFY12, NTPC reported adjusted PAT at INR21.7b, including benefit of gross up using corporate tax rate. However, adjusting for the benefit (as we consider the benefit would be non-recurring in FY13), the PAT for the quarter stood at INR19.4b, lower than our estimate of INR25.4b. Lower than estimated PAT is due to 1) Higher maintenance related expenses, 2) Lower Incentive income.
- Operating Performance Muted:** Coal projects plant load factor (PLF) for the quarter stood lower at 83.6% v/s 87.1% YoY, while plant availability factor (PAF) stood at 85.2% v/s 93.6% YoY. NTPC faced sizable loss of generation in the quarter owing to grid constraint and fuel availability impacting availability / generation linked incentives. Management indicated improved fuel availability for the month of January 2011 with PAF of 92% and expects PAF to improve by 200-250bp QoQ (vs 85.3% in 3QFY12 for coal projects).
- Other takeaways from the concall:** i) FY12 capacity addition target maintained at 4.98GW (vs 1.7GW achieved till date), ii) Commercial capacity addition could be ~2.7GW (1.1GW till date), iii) reported debtor days of 77 days higher due to past dues and recent tariff order approvals, adjusted for the same, recurring debtor days position comfortable at 56 days (though up from 45 days YoY), iv) Standalone capex target at INR174b, down from INR264b earlier.
- Cut our earnings estimates:** We have cut our earnings estimate for NTPC by ~10% each for FY12/FY13 given delays in commercialization of capacity, impact on availability/generation linked incentive owing to fuel supply issues. We now expect NTPC to report EPS of INR9.6/sh in FY12E and INR11/sh in FY13E, **Buy**.

Y/E March	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	129,445	147,526	134,965	155,209	141,715	153,775	153,333	189,606	567,145	638,430
Change (%)	7.8	36.8	20.7	25.6	9.5	4.2	13.6	22.2	22.4	12.6
EBITDA	28,056	33,119	36,650	36,428	28,662	32,387	28,564	41,764	134,253	131,377
Change (%)	-11.7	3.1	8.9	36.7	2.2	-2.2	-22.1	14.6	552.2	-2.1
As of % Sales	21.7	22.4	27.2	23.5	20.2	21.1	18.6	22.0	23.7	20.6
Depreciation	6,827	5,063	5,986	6,981	6,411	6,583	7,560	8,179	24,857	28,733
Interest	3,415	3,995	3,247	3,577	3,744	3,312	4,496	4,948	14,233	16,500
Other Income	5,718	6,228	6,688	6,699	9,964	10,093	9,121	8,621	25,333	37,799
PBT	23,532	30,289	34,106	32,569	28,472	32,586	25,629	37,257	120,496	123,944
Tax	5,113	9,216	10,392	4,750	7,714	8,346	4,324	8,731	29,470	29,116
Effective Tax Rate (%)	21.7	30.4	30.5	14.6	27.1	25.6	16.9	23.4	24.5	23.5
Reported PAT	18,419	21,073	23,715	27,819	20,758	24,240	21,304	28,526	91,026	94,828
Adjusted PAT	17,062	16,150	20,675	25,693	19,015	13,721	19,378	26,855	79,580	78,968
Change (%)	-24.4	-11.9	-1.1	12.3	11.4	-15.0	-6.3	4.5	-5.9	-0.8

E: MOSL Estimates; # Adj profit based on the calculations provided by the management

Nalin Bhatt (NalinBhatt@MotilalOswal.com); +91 22 39825429

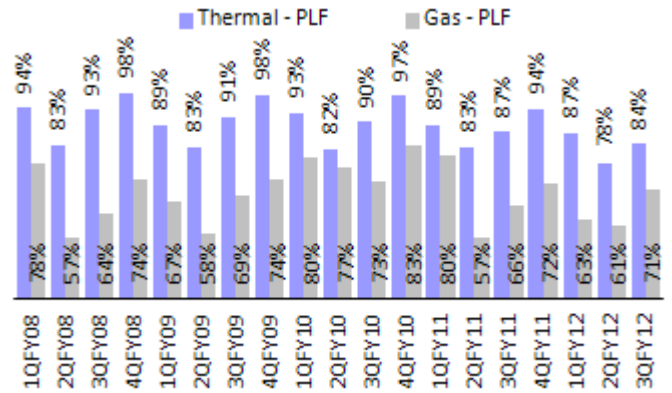
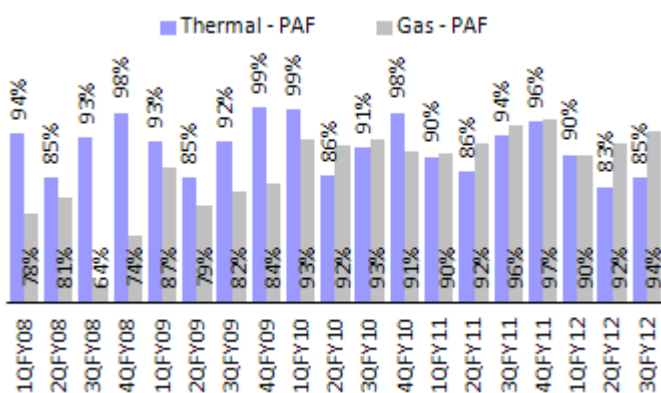
Satyam Agarwal (AgarwalS@MotilalOswal.com) / **Vishal Periwal** (Vishal.Periwal@MotilalOswal.com)

3QFY12 performance impacted by generation loss, lower availability

- During 3QFY12, NTPC reported revenues of INR153b (up 14% YoY), EBIDTA of INR29b (down 26% YoY) and reported net profit of INR21.3b (down 10% YoY). Reported PAT includes several extra ordinaries and adjusted PAT as per the company stood at INR21.7b. However PAT adjusted on account of corporate tax gross up which is non-recurring in our view as capacity addition gets bunched up in FY13. We thus calculate adjusted PAT at INR19.4b, lower than our estimate of INR25.4b.
- Lower than estimated PAT is due to 1) Higher maintenance related expenses depressing reported profits, 2) Lower Incentive income as Coal plant PLF for the quarter stood lower at 83.6% v/s 87.1% YoY and lower Coal plant PAF at 85.2% v/s 93.6% YoY. Gas based project PLF stood at 70.5%, vs 66.3% in 3QFY11. Also, NTPC's loss of generation due to grid constraint (2.7BUs) and fuel availability (3.8BU, vs 647MUs YoY) was higher steeply impacting generation linked incentives.
- We however note that operating performance was impacted largely in October month owing to several one-off events like Coal India strike, lower production/dispatch, etc. For the month of November / December, the PLFs for NTPC project stood at 87%, vs 77.3% in October 2011. Infact, excluding Farakka / Kahalgaon project (PLF of 72% in Nov/Dec 2011, vs 63% in Oct 2011), the PLFs for other projects stood above 87%. In our view, the fuel supply issue for NTPC could be medium term issues, as the logistics constrains are addressed for projects like Farakka/ Kahalgaon, captive mine production begins in CY13 and domestic coal availability is improved.
- Management has indicated improved availability of fuel in January 2011 with availability factor boosting to 92% (realization of 105% of ACQ qty in Jan-12) and expect PAF to improve by 200-250bps QoQ (vs 85.3% in 3QFY12 for coal projects). It is thus crucial to monitor the generation/PLF for the 4QFY12, as higher availability could boost FY12 PAF factor for NTPC (YTD FY12 at 86.2%, vs FY12 target of 89% in-line with FY11 target).

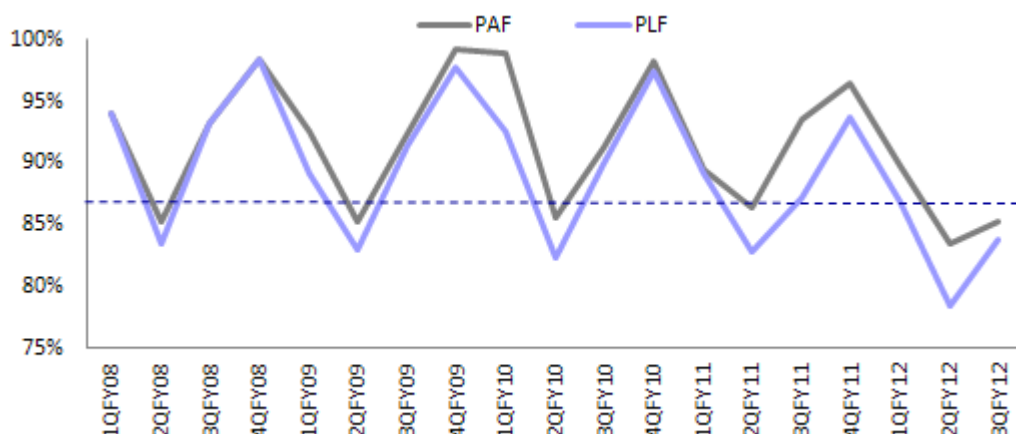
PAF lower for 2nd consecutive quarter (%)

PLF impacted by shutdown / lower demand (%)



Source: Company/MOSL

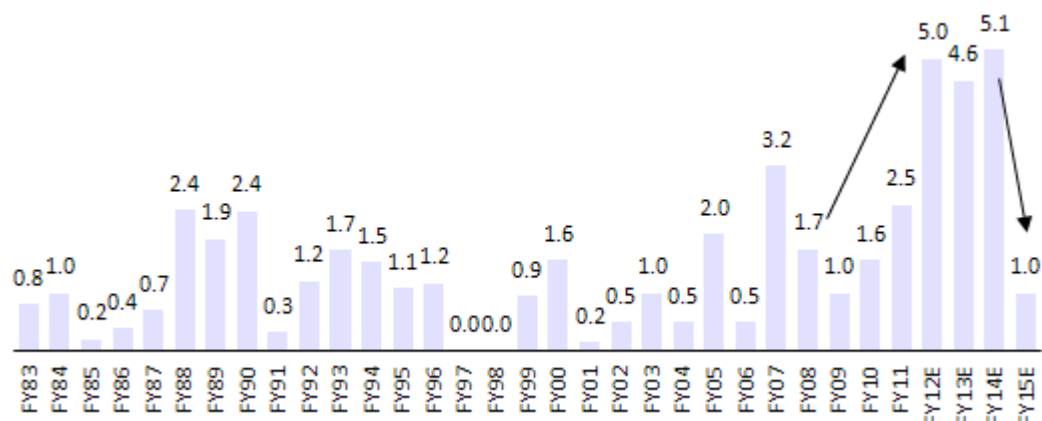
Coal project PLFs and PAF decline (%)



Source: Company/MOSL

Other takeaways from concall

- **Reported debtor days at 77, adjusted at 56:** As on 3QFY12 its debtors days stood at 77 v/s 45 YoY, which is partly due to Desu period dues, as well as tariff revision for its projects. Tariff revision is to be recovered from beneficiaries over six monthly equal installment and thus, adjusted for both items, the debtor days stood at 56, representing an increase of 11 days YoY. This is within the prescribed period of 60 days payment cycle.
- **Capacity addition target still at 4.98GW, 1.6GW of commercialization over Feb-Mar-12:** NTPC has maintained its capacity addition target for FY12 at 4.9GW, vs capacity addition of 1.7GW YTD FY12. Similarly, management guided for commercialization of 1.6GW capacity over the next two months of FY12 (1.1GW already done), comprising of 500MW each at Jhajjar, Farakka and 660MW at Sipat. Given the delays and back ended commissioning, we note that there could be risk of slippages of the capacity to FY13. For FY13, NTPC is targeting to add 4GW of capacity.
- **Capex target lowered, ~8GW of BTG award possible in 6-9 months time:** Given delay in BTG award and land related issues NTPC has lowered its capex target for FY12 at INR174b (v/s INR264b earlier). Over Apr/Jan-12 it has incurred capex of INR92b. On BTG award front, management expect Supreme Court final order to come out by mid-February (final hearing was over on 11 January 2012) and could then award the 11 sets of 660MW (5.4GW for NTPC 9 sets) over next 2-3 months. Similarly, NTPC is in the process to invite tender for BTG of 3x800MW Kudgi and this along with other supercritical units could mean at least 8GW of order award over next 6-9 months. These awards are critical and successful project awards will improve visibility for 12th Plan capacity addition targets at ~25GW.
- Over the past 3 years, cumulative BTG awards stands at just 3GW, given delays in bulk tendering. These delays will impact the pace of capacity addition beyond FY14, as projects under construction of ~12GW will be largely commissioned by FY14; and new BTG awards in FY12 will contribute to capacity additions only from end FY15 / FY16 onwards.

Declining trend of capacity addition, given delays in BTG awards (GW)

Source: Company/MOSL

Cut for FY12/FY13 earnings by ~10% each, Maintain Buy:

- We cut our earnings estimate for NTPC by ~10% each for FY12/FY13 given delays in commercialization of capacity, impact on availability/generation linked incentive owing to fuel supply issues. We now expect NTPC to report EPS of INR9.6/sh in FY12E and INR11/sh in FY13E.
- Stock trades at 15.6x FY13E PER and 1.8x P/BV. **Buy.**

NTPC: an investment profile

Company description

NTPC is the largest power generator in India with regulated business model. Company has installed capacity of 36GW, generating 28-30% of the electricity in the country. It aims to reach a capacity of 70,000 MW by the end of FY17. It also intends to venture into related areas like coal mining, distribution, transmission, merchant sales, gas exploration, etc.

Key investment arguments

- NTPC's capacity addition to accelerate as 12GW of projects currently under construction are to be commissioned over FY12-14E.
- Enjoys significant growth option across entire spectrum: transmission, distribution, coal mining, merchant power plants, gas exploration, etc.
- Amongst the best placed power sector player with regulated return (lower risk on fuel cost/merchant prices), sizable fuel supply under LT contract and payment mechanism.
- Growth will not be equity dilutive.

Key investment risks

- Further meaningful delays in capacity commissioning / project awards.
- Land acquisition delays for the mining project.

- Fuel supply issues could impact the availability for the new projects, which is linked indirectly to Coal India's performance.

Recent developments

- Capex for FY12 lowered to INR174b v/s INR264b earlier.
- 3QFY12 adjusted Debtor days stood at 56 v/s 45 YoY.

Valuation and view

- We cut our earnings estimate for NTPC by ~10% each for FY12/FY13 given delays in commercialization of capacity, impact on availability/generation linked incentive owing to fuel supply issues. We now expect NTPC to report EPS of INR9.6/sh in FY12E and INR11/sh in FY13E.
- Stock trades at 15.6x FY13E PER and 1.8x P/BV. **Buy.**

Sector view

- CPSUs are our preferred sectoral theme, given acceleration in earnings growth and comfortable valuations. We are Neutral on private IPPs, given our cautious view on merchant prices. We believe that SEB finances will witness a gradual improvement going forward.

Target price and recommendation

Current Price (INR)	Target Price (INR)	Upside (%)	Reco.
172	-	-	Buy

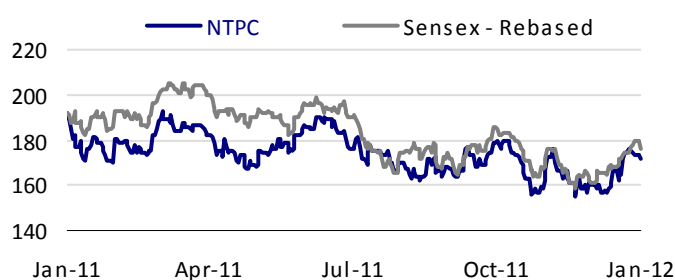
EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY12	9.6	11.9	-19.5
FY13	11.0	13.0	-15.3

Shareholding pattern (%)

	Dec-11	Sep-11	Dec-10
Promoter	84.5	84.5	84.5
Domestic Inst	7.9	8.2	8.4
Foreign	3.8	3.6	3.4
Others	3.8	3.8	3.7

Stock performance (1 year)



Financials and Valuation

Income Statement					Ratios				
(INR Million)									
Y/E March	2010	2011	2012E	2013E	Y/E March	2010	2011	2012E	2013E
Net Sales	463,226	548,740	638,430	756,527	Basic (INR)				
Change (%)	10.5	18.5	16.3	18.5	EPS (Adjusted)	10.3	9.7	9.6	11.0
Other operating incom	0	0	8,136	5,000	Cash EPS	13.5	12.7	13.1	15.8
					BV/Share	75.7	82.3	88.8	94.9
Total Expenditure	339,122	422,892	507,053	600,518	DPS	3.8	4.2	4.4	4.2
% of Sales	73.2	77.1	79.4	79.4	Payout (%)	41.9	44.2	44.2	44.2
					Valuation (x)				
EBITDA	124,104	125,848	139,513	161,009	P/E		17.8	18.0	15.6
Margin (%)	26.8	22.9	21.9	21.3	Cash P/E		13.6	13.2	10.9
Depreciation	26,501	24,857	28,733	39,231	P/BV		2.1	1.9	1.8
EBIT	97,603	100,992	110,780	121,778	EV/Sales		3.1	2.9	2.6
Interest	18,089	21,491	16,500	31,897	EV/EBITDA		12.8	12.6	12.0
Other Income - Rec.	29,341	40,995	29,663	26,965					
					Return Ratios (%)				
Profit before Tax	108,855	120,496	123,944	116,846	RoE	14.1	12.2	11.2	12.0
Current Tax	21,573	29,470	29,116	26,150	RoCE	13.0	13.3	11.5	10.6
Deferred Tax	0	1	2	2					
Tax Rate (%)	19.8	24.5	23.5	22.4	Working Capital Ratios				
					Fixed Asset Turnover (x)	0.7	0.8	0.6	0.6
Reported PAT	87,282	91,025	94,826	90,694	Asset Turnover (x)	0.5	0.5	0.5	0.5
EO Exp/(Inc)	2,742	11,445	15,860	0	Debtor (Days)	52	53	45	35
Adjusted PAT	84,540	79,580	78,966	90,694	Inventory (Days)	26	24	25	25
Change (%)	4.7	-5.9	-0.8	14.9	Working Capital Turno	44	41	16	25
Margin (%)	18.3	14.5	12.4	12.0					
					Leverage Ratio (x)				
					Current Ratio	2.9	2.7	2.2	2.2
					Interest Cover Ratio	5.4	4.7	6.7	3.8
					Debt/Equity	0.6	0.6	0.8	0.9
					Cash Flow Statement				
					(INR Million)				
					Y/E March	2010	2011	2012E	2013E
					OP/(Loss) before Tax	108,855	120,496	123,944	116,846
					Interest	18,089	21,491	16,500	31,897
					Depreciation	26,501	24,857	28,733	39,231
					Direct Taxes Paid	-21,573	-29,470	-29,116	-26,150
					(Inc)/Dec in WC	-16,330	-5,405	33,210	-24,136
					CF from Operations	115,542	131,969	173,271	137,688
					CF fr. Oper. incl EO Exp.	115,542	131,969	173,271	137,688
					(inc)/dec in FA	-101,965	-120,714	-244,459	-226,956
					(Pur)/Sale of Investme	8,236	-24,623	-1,418	-3,169
					CF from Investments	-93,729	-145,336	-245,877	-230,125
					(Inc)/Dec in Debt	32,292	53,912	140,890	118,775
					Dividend Paid	-26,056	-29,438	-30,668	-29,331
					Interest	-18,089	-21,491	-16,500	-31,897
					Others	-28,081	27,642	1,153	-4,382
					CF from Fin. Activity	-39,934	30,625	94,876	53,165
					Inc/Dec of Cash	-18,121	17,258	22,270	-39,273
					Add: Beginning Balanc	162,716	144,595	161,853	184,122
					Closing Balance	144,595	161,853	184,122	144,849

Balance Sheet				
(INR Million)				
Y/E March	2010	2011	2012E	2013E
Equity Share Capital	82,455	82,455	82,455	82,455
Total Reserves	541,719	596,468	649,420	700,065
Net Worth	624,174	678,923	731,875	782,520
Deferred liabilities	-1560	3028	6030	6030
Total Loans	394,078	439,803	587,216	705,991
Capital Employed	1,016,692	1,121,754	1,325,120	1,494,541
Gross Block	668,501	727,552	1,004,078	1,278,778
Less: Accum. Deprn.	320,888	335,192	363,925	403,156
Net Fixed Assets	347,613	392,360	640,153	875,622
Capital WIP	321,043	382,706	350,639	302,895
Investments	148,071	123,448	122,031	118,862
Curr. Assets	307,546	353,968	395,995	365,846
Inventory	33,477	36,391	43,728	51,817
Account Receivables	66,514	79,243	78,711	72,544
Cash and Bank Balanc	144,595	161,853	184,122	144,849
Others	62,960	76,481	89,435	96,636
Curr. Liability & Prov.	107,581	130,729	183,697	168,684
Account Payables	76,876	103,205	155,099	139,630
Provisions	30,705	27,524	28,599	29,054
Net Current Assets	199,965	223,239	212,298	197,162
Appl. of Funds	1,016,692	1,121,753	1,325,120	1,494,541

E: MOSL Estimates

N O T E S

Disclosures

This report is for personal information of the authorized recipient and does not constitute to be any investment, legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and Motilal Oswal Securities Limited (hereinafter referred as MOST) is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your information and should not be reproduced or redistributed to any other person in any form.

Unauthorized disclosure, use, dissemination or copying (either whole or partial) of this information, is prohibited. The person accessing this information specifically agrees to exempt MOST or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOST or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOST or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

The information contained herein is based on publicly available data or other sources believed to be reliable. While we would endeavour to update the information herein on reasonable basis, MOST and/or its affiliates are under no obligation to update the information. Also there may be regulatory, compliance, or other reasons that may prevent MOST and/or its affiliates from doing so. MOST or any of its affiliates or employees shall not be in any way responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MOST or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This report is intended for distribution to institutional investors. Recipients who are not institutional investors should seek advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents.

MOST and/or its affiliates and/or employees may have interests/positions, financial or otherwise in the securities mentioned in this report. To enhance transparency, MOST has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Disclosure of Interest Statement

National Thermal Power Corporation

1. Analyst ownership of the stock	No
2. Group/Directors ownership of the stock	No
3. Broking relationship with company covered	No
4. Investment Banking relationship with company covered	No

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The research analysts, strategists, or research associates principally responsible for preparation of MOST research receive compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOST & its group companies to registration or licensing requirements within such jurisdictions.

For U.K.

This report is intended for distribution only to persons having professional experience in matters relating to investments as described in Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (referred to as "investment professionals"). This document must not be acted on or relied on by persons who are not investment professionals. Any investment or investment activity to which this document relates is only available to investment professionals and will be engaged in only with such persons.

For U.S.

MOST is not a registered broker-dealer in the United States (U.S.) and, therefore, is not subject to U.S. rules. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., Motilal Oswal has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, Marco Polo and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.



Motilal Oswal Securities Ltd

3rd Floor, Hoechst House, Nariman Point, Mumbai 400 021
Phone: (91-22) 39825500 Fax: (91-22) 22885038. E-mail: reports@motilaloswal.com