NTPC

Performance Highlights

Quarterly performance (Standalone)

Y/E March (₹ cr)	1QFY2013	1QFY2012	% chg yoy	4QFY2012	% chg qoq
Net sales	**15,960**	**14,171**	*12.6*	**16,264**	*(1.9)*
Operating profit	3,631	2,866	*26.7*	3,939	*(7.8)*
OPM (%)	22.7	20.2	*2.523*	24.2	*(1.473)*
Rep. Net profit	**2,499**	**2,076**	*20.4*	**2,419**	3.3

Source: Company, Angel Research

For 1QFY2013, on a standalone basis, NTPC reported a 20.4% yoy growth in its net profit to ₹2,499cr. The healthy performance on the bottom-line front came on account of a healthy 7.8% yoy growth in generation and higher commercial capacity resulting in an increase in the regulated equity. The company's coal stations reported a healthy plant availability factor (PAF) of 88.4% (89.9%) for the quarter, albeit lower on a yoy basis. However, gas based stations reported a higher PAF of 92.6% on a y-o-y basis.

Top-line grows by 12.6% yoy: NTPC reported a 12.6% yoy increase in its top-line to ₹15,960cr, aided by higher capacity. The plant load factor (PLF) of the coal based stations stood at 86.5%, down 40bp on a y-o-y basis. While power generation rose by 7.8% on a yoy basis, it was down by 2% on a q-o-q basis. The actual materialization of domestic coal stood at a high 98.3% in 1QFY2013, resulting in lower import of coal. The operating profit increased by 26.7% yoy to ₹3,631cr. During the quarter NTPC commercialized 2,300MW of capacity.

Outlook and valuation: We expect NTPC to register a CAGR of 14.9% and 8.6% in its top-line and bottom-line over FY2012-14E, respectively. Although, the company had healthy coal materialization during 1QFY2013, the maintainability of the same remains uncertain considering the domestic coal shortage situation. The lower PAF due to domestic coal shortage is expected to result in a fall in core RoE. The stock is currently trading at 1.7x FY2013E and 1.5x FY2014E P/BV. **We continue to remain Neutral on the stock.**

Key financials (Consolidated)

Y/E March (₹ cr)	FY2011	FY2012E	FY2013E	FY2014E
Net Sales	**57,418**	**64,958**	**74,111**	**85,789**
% chg	*19.0*	*13.1*	*14.1*	*15.8*
Net Profit	**9,354**	**9,812**	**10,191**	**11,576**
% chg	*5.8*	*4.9*	*3.9*	*13.6*
EBITDA (%)	22.8	22.3	23.2	23.6
EPS (₹)	**11.3**	**11.9**	**12.4**	**14.0**
P/E (x)	14.7	14.0	13.5	11.8
P/BV (x)	2.0	1.8	1.7	1.5
RoE (%)	14.0	13.6	12.9	13.5
RoCE (%)	9.1	8.8	9.2	9.7
EV/Sales (x)	2.8	2.7	2.6	2.4
EV/EBITDA (x)	12.3	12.1	11.1	10.0

Source: Company, Angel Research

NEUTRAL

CMP	₹166
Target Price	-
Investment Period	12 Months

Stock Info	
Sector	Power
Market Cap (₹ cr)	137,122
Net Debt (₹ cr)	38,277
Beta	0.8
52 Week High / Low	190/139
Avg. Daily Volume	223,418
Face Value (₹)	10
BSE Sensex	17,198
Nifty	5,216
Reuters Code	NTPC.BO
Bloomberg Code	NTPC@IN

Shareholding Pattern (%)	
Promoters	84.5
MF / Banks / Indian FIs	7.8
FII / NRIs / OCBs	4.0
Indian Public / Others	3.7

Abs. (%)	3m	1yr	3yr
Sensex	0.3	(4.1)	8.0
NTPC	6.0	(8.3)	(23.1)

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Exhibit 1: Quarterly Performance (Standalone)

Y/E March (₹ cr)	1QFY2013	1QFY2012	% yoy	4QFY2012	% qoq	FY2012	FY2011	% chg
Net Sales	**15,960**	**14,171**	*12.6*	**16,264**	*(1.9)*	**61,145**	**54,874**	*11.4*
Fuel Cost	10,598	9,750	*8.7*	10,443	*1.5*	41,635	35,374	*17.7*
(% of Sales)	*66*	*69*		*64*		*68*	*64*	
Staff Costs	791	691	*14.5*	896	*(11.8)*	3,090	2,790	*10.8*
(% of Sales)	*5*	*5*		*6*		*5*	*5*	
Other Expenses	941	865	*8.8*	812	*15.9*	3,275	5,126	*(36.1)*
(% of Sales)	*6*	*6*		*5*		*5*	*9*	
Total Expenditure	**12,329**	**11,305**	*9.1*	**12,325**	*0.0*	**48,001**	**43,289**	*10.9*
Operating Profit	**3,631**	**2,866**	*26.7*	**3,939**	*(7.8)*	**13,144**	**11,585**	*13.5*
OPM	*22.7*	*20.2*	*252*	*24.2*	*(147)*	*21.5*	*21.1*	*38*
Interest	499	374	*33.4*	487	*2.5*	1,712	1,423	*20.3*
Depreciation	760	641	*18.6*	736	*3.3*	2,792	2,486	*12.3*
Other Income	885	997	*(11.2)*	768	*15.2*	3,686	4,374	*(15.7)*
PBT (excl. Extr. Items)	**3,256**	**2,847**	*14.3*	**3,484**	*(6.6)*	**12,326**	**12,050**	*2.3*
Extr. Income/(Expense)	-	-	-	-	-	-	-	-
PBT (incl. Extr. Items)	**3,256**	**2,847**	*14.3*	**3,484**	*(6.6)*	**12,326**	**12,050**	*2.3*
(% of Sales)	*20*	*20*		*21*		*20*	*22*	
Provision for Taxation	757	771	*(1.8)*	1,065	*(28.9)*	3,102	2,947	*5.3*
(% of PBT)	*23.3*	*27.1*		*30.6*		*25*	*24*	
Reported PAT	**2,499**	**2,076**	*20.4*	**2,419**	*3.3*	**9,224**	**9,103**	*1.3*
PATM	*16*	*15*		*15*		*15*	*17*	
EPS (₹)	**3.0**	**2.5**		**2.9**		**11.2**	**11.0**	
Adjusted PAT	**2,499**	**2,076**	*20.4*	**2,419**	*20.4*	**9,224**	**9,103**	*1.3*

Source: Company, Angel Research

Exhibit 2: Actual vs. Angel estimates

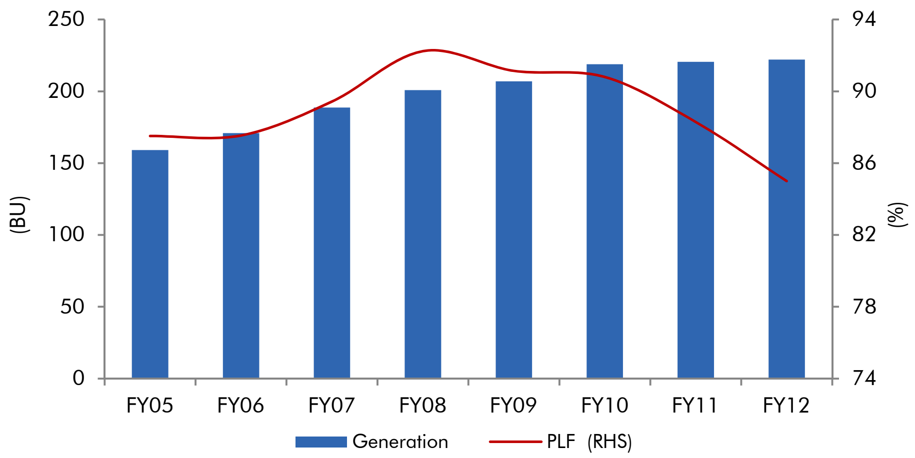
(₹ cr)	Actual	Estimates	*Variation (%)*
Net Sales	15,960	16,584	*(3.8)*
Operating Profit	3,631	4,146	*(12.4)*
OPM (%)	22.7	25.0	*(225)*
Rep. Net Profit	2,499	2,507	*(0.3)*

Source: Company, Angel Research

Operational highlights

During 1QFY2013, the PAF stood at 88.4% (89.9% in 1QFY2012) and 92.6% (89.8% in 1QFY2012) for coal and gas-based plants respectively. The company reported a 7.8% yoy growth in generation which has enabled the company to post an 11.7% yoy increase in generation revenue to ₹161901cr. The PLF of coal stations stood at 86.5% (86.8% 1QFY2012). Though the PLF has declined yoy, it is still much ahead of the all-India PLF of 73.98%. The PLF for gas based stations was lower at 64.6% on account of lower demand from the grid for regasified liquefied natural gas (RLNG) and Naphta based power (due to high cost).

Exhibit 3: Operational performance



Source: Company, Angel Research

Fuel supply

NTPC received 33.8mn tonne (mt) of domestic coal in 1QFY2013, as against 30.6mt in 1QFY2012. The materialization of coal against actual contracted quantity (ACQ) stood at 98.3% for the quarter. Due to improved coal availability, the company imported less quantity of coal. NTPC imported 2.8mt of coal during the quarter (vs 3.3mt in 1QFY2012).

To ensure fuel security, NTPC will award 12MMT of imported coal through direct tender. Direct award of import contract ensures 15%-23% savings in coal price. NTPC has received in-principle approval from the Ministry of Coal (MOC) for withdrawal of de-alloaction of Chatti-Bariatu, Chatti-Bariatu (South) and Kerandari coal blocks. However, a formal withdrawal is awaited. The company has also received in-principle approval for allotment of additional coal blocks for four new projects of total 8460 MW capacity.

Capacity addition

In 1QFY2013, NTPC commissioned 2,160MW capacity. The two units of 660MW at Solapur and Mauda have obtained all necessary approvals. NTPC also has all necessary permissions for three units of 660MW at Nabinagar, except for acquiring a small portion of land. Also, contract for thermal power project at Vindhyachal has already been awarded. Currently, the company targets to add 4,170MW and 2,718MW during FY2013 and FY2014 respectively. The company estimates ₹20,995cr towards capex in FY2013.

Analyst Meet highlights

- NTPC's debtor days as of 1QFY2013 stood at 32 days. The company indicated that it continues to realize almost 100% of its dues from state electricity boards (SEBs) in a stipulated time on account of revised incentive scheme. Overall coal consumption for 1QFY2013 stood at 36.5mt as against 33.9mt in 1QFY2012. The company indicated that materialization on ACQ of coal stood at 98.3% during the quarter.
- NTPC's average tariff of power continues to be lower than its peers. In 1QFY2013, the company's average tariff of power was 2.94/KW. This ensures least risk of power off-take in the sector.
- NTPC will import 12mt of coal (in addition to 4mt already awarded) through direct tender. The company also added that coal prices are lower by 15-23% when procured through a direct tender.
- NTPC incurred cumulative expenditure of ₹880cr till 1QFY2013 towards the development of six mines allotted to it. The company expects the captive coal mines to contribute ~37MMT of coal by FY2017.

Investment arguments

Capacity addition to drive future growth: Going forward, NTPC's growth is expected to be driven by the huge capacity addition planned by the company. The company expects to add 4,170MW capacity in FY2013E and another 2,718MW in FY2014E. In all, the company targets to add ~14,038MW in the Twelfth Plan (FY2012-17).

Earnings protected by the regulated return model: NTPC, being a central public utility, is governed by the regulated return model. The CERC's regulations for FY2010-14 provide RoE of 15.5% on regulated equity. As per regulations, fuel costs are a pass-through, which protect the company from cost pressures due to increased fuel costs. NTPC has 85% of its overall output tied up under the long-term power purchase agreement (PPA) route (regulated returns), which ensures power off-take and stable cash flows thereof.

Outlook and valuation

We expect NTPC to register a CAGR of 14.9% and 8.6% in its top-line and bottom-line over FY2012-14E respectively. Although the company had healthy coal materialization during 1QFY2013, the maintainability of the same remains uncertain considering the domestic coal shortage situation. A lower PAF due to domestic coal shortage is expected to result in a fall in the core RoE. The stock is currently trading at 1.7x FY2013E and 1.5x FY2014E P/BV. **We continue to remain Neutral on the stock.**

Exhibit 5: Change in estimates

(₹ cr)	FY2013			FY2014		
	Earlier	Revised	*Var. (%)*	Earlier	Revised	*Var. (%)*
Net sales	74,766	74,111	*(0.9)*	86,549	85,789	*(0.9)*
Operating exp.	57,509	56,932	*(1.0)*	66,268	65,549	*(1.1)*
Operating profit	17,256	17,180	*(0.4)*	20,281	20,240	*(0.2)*
Depreciation	3,747	3,747	*0.0*	4,387	4,387	*0.0*
Interest	3,175	3,175	*0.0*	3,619	3,619	*0.0*
PBT	13,499	13,422	*(0.6)*	15,389	15,348	*(0.3)*
Tax	3,248	3,230	*(0.6)*	3,780	3,770	*(0.3)*
PAT	10,249	10,191	*(0.6)*	11,607	11,576	*(0.3)*

Source: Angel Research

Exhibit 6: EPS – Angel estimates vs. Bloomberg consensus

Year/(₹)	Angel Est.	Bloomberg Consensus	*Var. (%) over consensus*
FY2013E	12.4	12.4	0.0
FY2014E	14.0	14.1	(0.7)

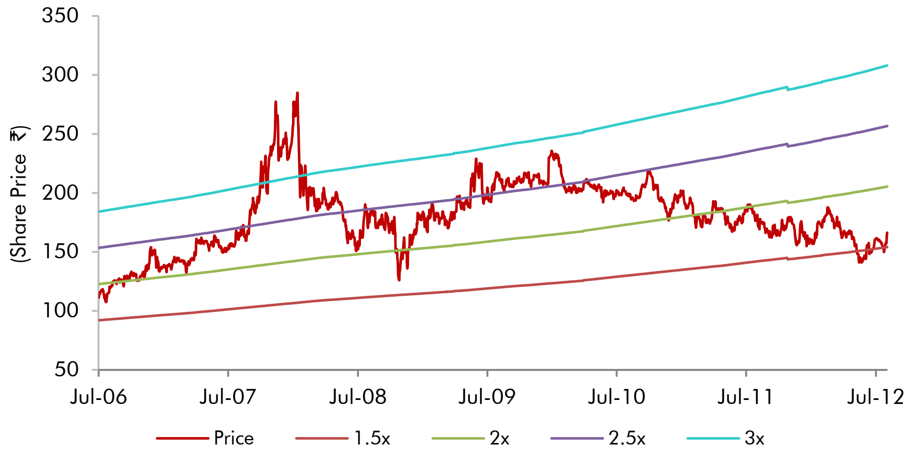
Source: Bloomberg, Angel Research

Exhibit 7: Recommendation summary

Company	Reco.	CMP (₹)	Tgt. price (₹)	*Upside (%)*	FY14E P/BV (x)	FY14E P/E (x)	FY2012-14E EPS CAGR (%)	FY14E RoCE (%)	FY14E RoE (%)
CESC	Accumulate	302	342	*13.4*	0.6	6.4	3.8	8.5	10.6
GIPCL	Buy	66	77	*17.5*	0.6	6.0	13.9	10.2	10.2
NTPC	Neutral	166	-	-	1.5	11.8	8.6	9.7	13.5

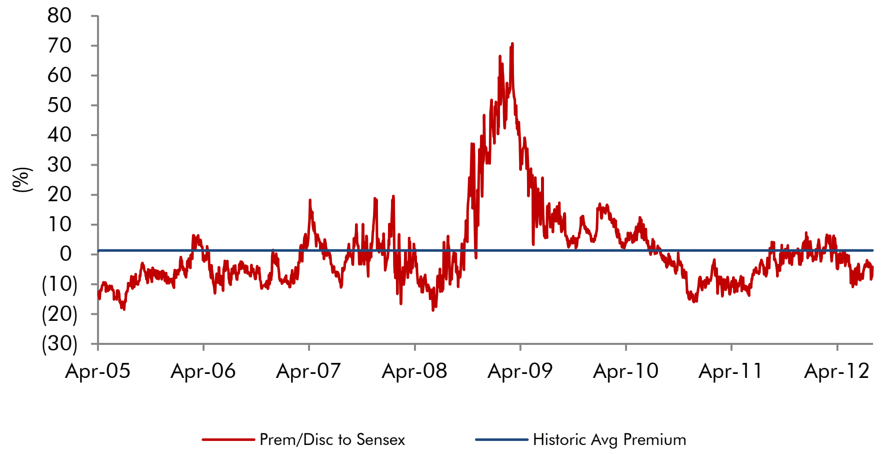
Source: Angel Research

Exhibit 8: One-year forward P/BV



Source: BSE, Company, Angel Research

Exhibit 9: Premium/Discount to Sensex P/E



Source: BSE, Company, Angel Research

Company Background

Established in 1975, NTPC is India's largest power generation company. NTPC has an installed capacity of 36,014MW (including 3,364MW under JVs), spread across 28 power stations. The company's capacity has grown by 6,790MW over FY2007-11. The company envisions being a 75,000MW company by FY2017. NTPC enjoys healthy operational efficiency and has consistently reported high PLF of ~90% compared to all-India PLF of ~75%.

Profit and loss statement (Consolidated)

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
Total Operating Income	44,245	48,231	57,418	64,958	74,111	85,789
% chg	14.5	9.0	19.0	13.1	14	16
Total Expenditure	33,702	35,156	44,302	50,453	56,932	65,549
Net Raw Materials	27,347	30,188	36,414	43,303	49,108	56,621
Other Mfg costs	3,823	2,446	4,965	3,900	4,302	4,979
Personnel	2,533	2,523	2,922	3,250	3,522	3,949
EBITDA	10,544	13,075	13,117	14,506	17,180	20,240
% chg	(7.6)	24.0	0.3	10.6	18.4	18
(% of Net Sales)	23.8	27.1	22.8	22.3	23.2	23.6
Depreciation& Amortisation	2,495	2,894	2,720	3,107	3,747	4,387
EBIT	8,049	10,180	10,397	11,399	13,433	15,853
% chg	(12.6)	26.5	2.1	9.6	18	18
(% of Net Sales)	18	21	18	18	18	18
Interest & other Charges	2,144	2,078	2,493	2,135	3,175	3,619
Other Income	3,402	2,947	4,488	3,873	3,165	3,115
Share in profit of Associates	-	-	-	-	-	-
Recurring PBT	9,307	11,049	12,393	13,137	13,422	15,348
Extraordinary Expense/(Inc.)	-	-	-		-	-
PBT (reported)	9,307	11,049	12,393	13,137	13,422	15,348
Tax	1,215	2,211	3,044	3,323	3,230	3,770
(% of PBT)	13.1	20.0	24.6	25.3	24	25
PAT (reported)	8,092	8,838	9,348	9,814	10,192	11,578
Less Minority Interest	-	(0.0)	(5.2)	1.9	2	2
PAT After Minority Interest	8,092	8,838	9,354	9,812	10,191	11,576
% chg	8.3	9.2	5.8	4.9	3.9	13.6
(% of Net Sales)	18.3	18.3	16.3	15.1	14	13
Basic EPS (₹)	9.8	10.7	11.3	11.9	12.4	14.0
Fully Diluted EPS (₹)	9.8	10.7	11.3	11.9	12.4	14.0
% chg	8.3	9.2	5.8	4.9	3.9	13.6

Balance sheet (Consolidated)

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012E	FY2013E	FY2014E
SOURCES OF FUNDS						
Equity Share Capital	8,246	8,246	8,246	8,246	8,246	8,246
Reserves& Surplus	51,706	55,993	61,053	67,196	73,718	81,625
Shareholders' Funds	**59,951**	**64,239**	**69,298**	**75,442**	**81,963**	**89,871**
Minority Interest	166	279	485	485	485	485
Total Loans	38,823	43,844	50,392	60,392	71,392	81,392
Deferred Tax Liability	0	230	672	672	672	672
Total Liabilities	**98,940**	**108,592**	**120,847**	**136,991**	**154,512**	**172,420**
APPLICATION OF FUNDS						
Gross Block	64,741	71,527	79,210	87,400	105,400	123,400
Less: Acc. Depreciation	29,776	32,723	34,346	37,453	41,200	45,587
Net Block	**34,966**	**38,804**	**44,863**	**49,946**	**64,199**	**77,812**
Capital Work-in-Progress	30,929	37,682	44,855	57,665	61,665	64,665
Goodwill	1	1	1	1	1	1
Investments	**11,696**	**11,778**	**8,357**	**7,357**	**6,357**	**5,357**
Current Assets	33,486	33,215	38,045	37,918	38,840	41,820
Cash	17,250	16,053	17,860	14,758	12,343	11,062
Loans & Advances	9,006	6,549	7,875	8,909	10,238	11,937
Others	7,230	10,614	12,311	14,251	16,259	18,821
Current liabilities	12,137	12,908	15,274	15,896	16,549	17,235
Net Current Assets	**21,349**	**20,307**	**22,771**	**22,021**	**22,290**	**24,585**
Mis. Exp. not written off	-	20	-		-	-
Total Assets	**98,940**	**108,592**	**120,847**	**136,991**	**154,512**	**172,420**

Cash flow statement (Consolidated)

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012E	FY2013E	FY2014E
Profit before tax	9,307	11,049	12,393	13,137	13,422	15,348
Depreciation	2,495	2,894	2,720	3,107	3,747	4,387
Chg in WC & other adj.	(2,782)	408	(2,839)	(2,354)	(2,686)	(3,577)
Less: Other income	3,402	2,947	2,590	3,873	3,165	3,115
Direct taxes paid	2,566	2,799	3,044	3,323	3,230	3,770
Cash Flow from Operations	**3,052**	**8,606**	**6,639**	**6,694**	**8,089**	**9,273**
(Inc)/ Decin Fixed Assets	(11,344)	(14,009)	(13,736)	(21,000)	(22,000)	(21,000)
(Inc)/ Dec in Investments	1,751	(82)	3,420	1,000	1,000	1,000
Other income	3,402	2,947	2,590	3,873	3,165	3,115
Cash Flow from Investing	**(6,192)**	**(11,144)**	**(7,726)**	**(16,127)**	**(17,835)**	**(16,885)**
Issue of Equity	-	-	-	-	-	-
Inc./(Dec.) in loans	8,508	5,022	6,548	10,000	11,000	10,000
Dividend Paid (Incl. Tax)	3,478	3,682	3,654	3,669	3,669	3,669
Others	-	-	-	-	-	-
Cash Flow from Financing	**5,030**	**1,340**	**2,894**	**6,331**	**7,331**	**6,331**
Inc./(Dec.) in Cash	1,890	(1,198)	1,807	(3,102)	(2,416)	(1,281)
Opening Cash balances	**15,361**	**17,250**	**16,053**	**17,860**	**14,758**	**12,343**
Closing Cash balances	**17,250**	**16,053**	**17,860**	**14,758**	**12,343**	**11,062**

Key ratios

Y/E March	FY2009	FY2010	FY2011	FY2012E	FY2013E	FY2014E
Valuation Ratio (x)						
P/E (on FDEPS)	16.9	15.5	14.7	14.0	13.5	11.8
P/CEPS	13.0	11.7	11.4	10.6	9.8	8.6
P/BV	2.3	2.1	2.0	1.8	1.7	1.53
Dividend yield (%)	2.5	2.7	2.7	2.7	2.7	2.7
EV/Sales	3.3	3.2	2.8	2.7	2.6	2.4
EV/EBITDA	13.9	11.7	12.3	12.1	11.1	10.0
EV / Total Assets	1.5	1.4	1.3	1.3	1.2	1.2
Per Share Data (₹)						
EPS (Basic)	9.8	10.7	11.3	11.9	12.4	14.0
EPS (fully diluted)	9.8	10.7	11.3	11.9	12.4	14.0
Cash EPS	12.8	14.2	14.6	15.7	16.9	19.4
DPS	4.2	4.5	4.4	4.4	4.4	4.4
Book Value	72.7	77.9	84.0	91.5	99.4	109.0
DuPont Analysis						
EBIT margin	18.2	21.1	18.1	17.5	18.1	18.5
Tax retention ratio	86.9	80.0	75.4	74.7	75.9	75.4
Asset turnover (x)	0.6	0.6	0.6	0.6	0.6	0.6
ROIC (Post-tax)	9.3	9.4	8.0	7.6	7.7	7.9
Cost of Debt (Post Tax)	5.4	4.0	4.0	2.9	3.7	3.6
Leverage (x)	0.6	0.7	0.7	0.8	0.8	0.9
Operating ROE	11.7	12.9	10.9	11.1	11.1	11.7
Returns (%)						
ROCE (Pre-tax)	8.8	9.8	9.1	8.8	9.2	9.7
Angel ROIC (Pre-tax)	17.1	19.3	18.4	18.6	18.5	17.9
ROE	14.2	14.2	14.0	13.6	12.9	13.5
Turnover ratios (x)						
Asset Turnover (Gross Block)	0.7	0.7	0.8	0.8	0.8	0.7
Inventory / Sales (days)	26	26	24	24	25	25
Receivables (days)	29	41	49	50	50	50
Payables (days)	114	130	116	113	104	94
WC cycle (ex-cash) (days)	25	32	29	34	42	50
Solvency ratios (x)						
Net debt to equity	0.4	0.4	0.5	0.6	0.7	0.8
Net debt to EBITDA	2.0	2.1	2.5	3.1	3.4	3.5
Interest Coverage (EBIT / Int.)	3.8	4.9	4.2	5.3	4.2	4.4

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DISCLAIMER

Disclosure of Interest Statement	**NTPC**
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors

Ratings (Returns):	*Buy (> 15%)*	*Accumulate (5% to 15%)*	*Neutral (-5 to 5%)*
	Reduce (-5% to 15%)	Sell (< -15%)	