

NTPC

Performance Highlights

Y/E March (₹ cr)	4QFY2012	3QFY2012	% chg qoq	4QFY2011	% chg yoy
Net sales	16,264	15,332	6.1	15,519	4.8
Operating profit	4,112	2,855	44.0	3,644	12.9
OPM (%)	25.3	18.6	666bp	23.5	181bp
Rep. Net profit	2,593	2,130	21.7	2,782	(6.8)

Source: Company, Angel Research

For 4QFY2012, on a standalone basis, NTPC reported a 6.8% yoy decline in its net profit to ₹2,593cr. Adjusted net profit (after making adjustments for previous years' sales, prior-period items, write-back of provisions, provision for tariff adjustments and other adjustments) fell by 4.9% yoy to ₹2,188cr. Better coal availability resulted in healthy PAF of 94.7% for coal-based plants for the quarter vs. 85.3% in 3QFY2012. **We maintain our Buy view on the stock.**

Top line grows by 4.8% yoy: NTPC reported a 4.8% yoy increase in its top line to ₹16,264cr, largely on account of higher fuel costs (passed on) and 1,160MW of higher commercial capacity on a yoy basis. The company's ESO rose by 3.2% yoy to 56BU. Operating profit for the quarter increased by 12.9% yoy to ₹4,112cr. Actual materialization of coal stood at 103% in 4QFY2012 compared to 92.4% in 4QFY2011. The company has indicated that coal materialization has been in excess of 100% till date in 1QFY2013 as well, and power generation is higher by 4.7% for the period.

Outlook and valuation: We expect NTPC to register a CAGR of 15.4% and 8.8% in its top line and bottom line over FY2012-14E, respectively. The stock is currently trading at 1.5x FY2013E and 1.4x FY2014E P/BV. Recently, the stock has corrected significantly due to concerns over sufficient coal availability for its plants in the future. We believe these concerns are overdone as we expect the company to bridge the shortage in domestic supply through coal imports and captive coal going ahead. **We continue to maintain our Buy rating on the stock with a target price of ₹201.**

Key financials (Consolidated)

Y/E March (₹ cr)	FY2011	FY2012E	FY2013E	FY2014E
Net Sales	57,418	64,958	74,766	86,549
% chg	19.0	13.1	15.1	15.8
Net Profit	9,354	9,819	10,249	11,607
% chg	5.8	5.0	4.4	13.2
EBITDA (%)	22.8	22.3	23.1	23.4
EPS (₹)	11.3	11.9	12.4	14.1
P/E (x)	13.0	12.4	11.9	10.5
P/BV (x)	1.8	1.6	1.5	1.4
RoE (%)	14.0	13.6	13.0	13.5
RoCE (%)	9.1	8.8	9.3	9.7
EV/Sales (x)	2.6	2.5	2.3	2.2
EV/EBITDA (x)	11.2	11.1	10.2	9.3

Source: Company, Angel Research

BUY

CMP	₹148
Target Price	₹201

Investment Period	12 Months
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Stock Info	
Sector	Power
Market Cap (₹ cr)	121,909
Beta	0.8
52 Week High / Low	192/146
Avg. Daily Volume	227693
Face Value (₹)	10
BSE Sensex	16,216
Nifty	4,908
Reuters Code	NTPC.BO
Bloomberg Code	NTPC@IN

Shareholding Pattern (%)	
Promoters	84.5
MF / Banks / Indian Fls	9.4
FII / NRIs / OCBs	4.1
Indian Public / Others	2.0

Abs. (%)	3m	1yr	3yr
Sensex	(9.1)	(12.5)	36.6
NTPC	(18.4)	(15.5)	(21.6)

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Exhibit 1: Quarterly performance (Standalone)

Y/E March (₹ cr)	4QFY2012	3QFY2012	%Chg qoq	4QFY2011	%Chg yoy
Net Sales	16,264	15,332	6.1	15,519	4.8
Fuel cost	10,443	10,793	(3.2)	9,726	7.4
(% of Sales)	64.2	70.4		63	
Staff Costs	896	719	24.7	708	26.6
(% of Sales)	6	5		5	
Other Expenses	812	965	(15.9)	1,441	(43.7)
(% of Sales)	5	6		9	
Total Expenditure	12,151	12,477	(2.6)	11,875	2.3
Operating Profit	4,112	2,855	44.0	3,644	12.9
OPM	25.3	18.6		23.5	
Interest	487	450	8.3	360	35.2
Depreciation	736	756	(2.6)	698	5.5
Other Income	768	913	(15.9)	671	14.4
PBT (incl. Extr. Items)	3,657	2,563	42.7	3,257	12.3
(% of Sales)	22	17		21	
Provision for Taxation	1,064	432	146.0	475	124.0
(% of PBT)	29.1	16.9		15	
Reported PAT	2,593	2,130	21.7	2,782	(6.8)
PATM	16	14		18	
EPS (₹)	3.1	2.6		3.4	

Source: Company, Angel Research

Exhibit 2: Actual vs. Angel estimates

(₹ cr)	Actual	Estimates	Variation (%)
Net Sales	16,264	16,468	(1.2)
Operating Profit	4,112	4,529	(9.2)
OPM (%)	25.3	27.5	(221)bp
Rep. Net Profit	2,593	2,711	(4.3)

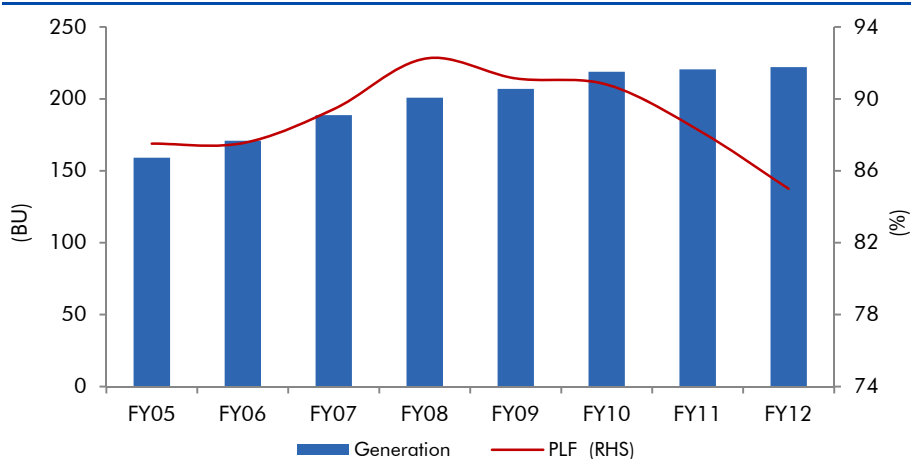
Source: Company, Angel Research

Operational highlights

During the quarter, NTPC's generation volume rose by 4.1% yoy and 6.8% qoq to 60BU due to improved availability of coal. The company's ESO rose by 3.2% yoy to 56BU. PAF for the quarter stood at 94.2% (85.3%) and 98.7% (97%) for coal and gas-based plants, respectively.

Generation loss due to non-availability of coal stood at 0.93BU for the quarter. For FY2012, the company lost 7.8BU (5.1BU in FY2011) due to non-availability of coal. Loss of generation due to grid restriction stood at 4.2BU for the quarter (vs. 2.9BU for 4QFY2011). PLF for coal and gas-based plants stood at 91.1% and 67.0%, respectively.

Exhibit 3: Operational performance



Source: Company, Angel Research

Fuel supply

NTPC received 38.6mn tonnes (mt) of coal in 4QFY2012, as against 35.2mt in 4QFY2011. Materialization of coal against actual contracted quantity (ACQ) stood at 103% for the quarter as against 98.6% in 4QFY2011. Due to improved coal availability, the company imported less quantity of coal. NTPC imported 2.2mt of coal during the quarter (vs. 2.6mt in 4QFY2011). Imported coal blending percentage stood at 5.3% in 4QFY2012 (vs. 6.4% during 4QFY2011).

The company received 13.4mmscmd of gas in 4QFY2012 as against 13.6mmscmd in 4QFY2011. Gas procured on spot basis during 4QFY2012 stood at 0.48mmscmd. Gas received under long-term RLNG, KG-D6, and APM and PMT mechanisms stood at 1.74mmscmd, 1.42mmscmd, and 9.77mmscmd, respectively.

Capacity addition

NTPC, along with its JVs, currently has 37,014MW capacity, of which 34,416MW of capacity is commercially operational. 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 Vindhychal is already awarded. Currently, the company targets to add 4,160MW and 4,298MW during FY2013 and FY2014, respectively. The company estimates ₹20,995cr towards capex in FY2013.

Conference call highlights

- NTPC's debtor days as of 4QFY2012 stood at 73 as against 69 days as of 4QFY2011. However, the company indicated that it continues to realize almost 100% of its dues from SEBs in a stipulated time. The increase in debtor days is on account of recovery of sales booked on the basis of revised tariff over a period of six months.
- Overall coal consumption for FY2012 stood at 141.3mt as against 137mt in FY2011. The company indicated that materialization on ACQ of coal improved to 103% in 4QFY2012 vs. 92.4% in 4QFY2011.
- CIL's switch in pricing mechanism from UHV to GCV has increased NTPC's average cost of generation by ~5%.
- NTPC has opened tenders of ICBs for importing 4mn tonnes of coal on January 5 and 6, 2012. The company also added that coal prices in the tender were lower by 20-25%. Subsequently, the company has invited tenders on ICB basis to import further 5mn tonnes.
- NTPC incurred cumulative expenditure of ₹750cr as of March 2012 towards the development of five mines allotted to it.

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 4,160MW capacity in FY2013E and another 4,298MW in FY2014E. In all, the company targets to add ~14,000MW 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 PPA route (regulated returns), which ensures power offtake and stable cash flows thereof.

Outlook and valuation

We expect NTPC to register a CAGR of 15.4% and 8.8% in its top line and bottom line over FY2012-14E, respectively. The stock is currently trading at 1.5x FY2013E and 1.4x FY2014E P/BV. Recently, the stock has corrected significantly due to concerns over sufficient coal availability for its plants in the future. We believe these concerns are overdone as we expect the company to bridge the shortage in domestic supply through coal imports and captive coal going ahead. **We continue to maintain our Buy rating on the stock with a target price of ₹201.**

Exhibit 5: Change in estimates

(₹ cr)	FY2013			FY2014		
	Earlier	Revised	Var. (%)	Earlier	Revised	Var. (%)
Net sales	73,558	74,766	1.6	84,843	86,549	2.0
Operating exp.	56,349	57,509	2.1	64,782	66,268	2.3
Operating profit	17,208	17,256	0.3	20,061	20,281	1.1
Depreciation	3,514	3,747	6.6	4,114	4,387	6.6
Interest	3,175	3,175	0.0	3,664	3,619	(1.2)
PBT	13,685	13,499	(1.4)	15,398	15,389	(0.1)
Tax	3,293	3,248	(1.4)	3,782	3,780	(0.1)
PAT	10,397	10,249	(1.4)	11,621	11,607	(0.1)

Source: Angel Research

Exhibit 6: EPS – Angel estimates vs. Bloomberg consensus

Year/(₹)	Angel Est.	Bloomberg Consensus	Var. (%) over consensus
FY2013E	12.4	12.6	(1.6)
FY2014E	14.1	14.0	0.4

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	Buy	266	342	28.8	0.6	5.5	3.9	9.3	10.9
GIPCL	Buy	63	98	55.3	0.6	6.2	18.1	10.4	9.6
NTPC	Buy	148	201	35.9	1.4	10.5	8.8	9.7	13.5

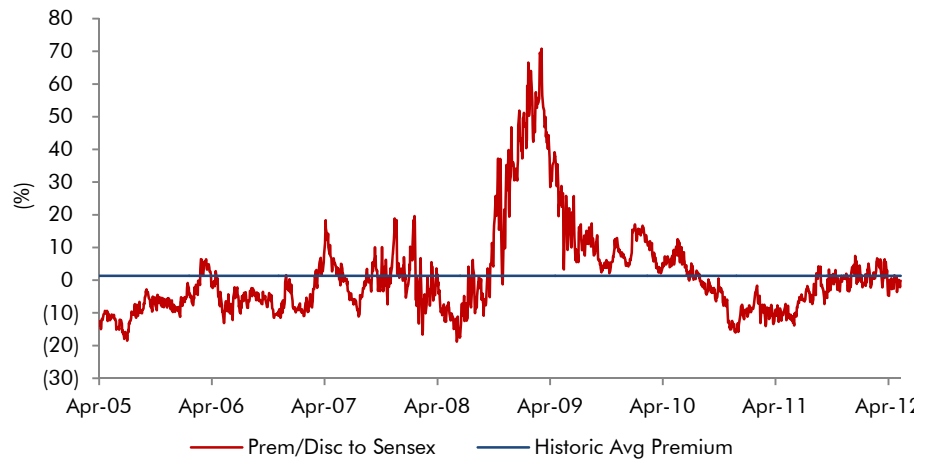
Source: Angel Research

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

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	74,766	86,549
% chg	14.5	9.0	19.0	13.1	15	16
Total Expenditure	33,702	35,156	44,302	50,453	57,509	66,268
Net Raw Materials	27,347	30,188	36,414	43,303	49,616	57,261
Other Mfg costs	3,823	2,446	4,965	3,900	4,340	5,023
Personnel	2,533	2,523	2,922	3,250	3,553	3,984
EBITDA	10,544	13,075	13,117	14,506	17,256	20,281
% chg	(7.6)	24.0	0.3	10.6	19	18
(% of Net Sales)	23.8	27.1	22.8	22.3	23.1	23.4
Depreciation & Amortisation	2,495	2,894	2,720	3,107	3,747	4,387
EBIT	8,049	10,180	10,397	11,399	13,509	15,894
% chg	(12.6)	26.5	2.1	9.6	19	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	13,499	15,389
Extraordinary Expense/(Inc.)	-	-	-	-	-	-
PBT (reported)	9,307	11,049	12,393	13,137	13,499	15,389
Tax	1,215	2,211	3,044	3,323	3,248	3,780
(% of PBT)	13.1	20.0	24.6	25.3	24	25
PAT (reported)	8,092	8,838	9,348	9,814	10,251	11,609
Less Minority Interest	-	(0.0)	(5.2)	1.9	1.9	1.9
PAT After Minority Interest	8,092	8,838	9,354	9,812	10,249	11,607
% chg	8.3	9.2	5.8	5.0	4.4	13.2
(% 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	14.1
Fully Diluted EPS (₹)	9.8	10.7	11.3	11.9	12.4	14.1
% chg	8.3	9.2	5.8	5.0	4.4	13.2

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	73,776	81,714
Shareholders' Funds	59,951	64,239	69,298	75,442	82,022	89,960
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	154,571	172,509
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	38,898	41,909
Cash	17,250	16,053	17,860	14,758	12,167	10,879
Loans & Advances	9,006	6,549	7,875	8,909	10,329	12,043
Others	7,230	10,614	12,311	14,251	16,402	18,987
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	22,349	24,674
Mis. Exp. not written off	-	20	-	-	-	-
Total Assets	98,940	108,592	120,847	136,991	154,571	172,509

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	13,499	15,389
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)	(2,920)	(3,616)
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	3,248	3,780
Cash Flow from Operations	3,052	8,606	6,639	6,694	7,913	9,266
(Inc)/ Dec in 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)	(2,591)	(1,289)
Opening Cash balances	15,361	17,250	16,053	17,860	14,758	12,167
Closing Cash balances	17,250	16,053	17,860	14,758	12,167	10,879

Key ratios

Y/E March	FY2009	FY2010	FY2011	FY2012E	FY2013E	FY2014E
Valuation Ratio (x)						
P/E (on FDEPS)	15.1	13.8	13.0	12.4	11.9	10.5
P/CEPS	11.5	10.4	10.1	9.4	8.7	7.6
P/BV	2.0	1.9	1.8	1.6	1.5	1.4
Dividend yield (%)	2.9	3.0	3.0	3.0	3.0	3.0
EV/Sales	3.0	2.9	2.6	2.5	2.3	2.2
EV/EBITDA	12.5	10.6	11.2	11.1	10.2	9.3
EV / Total Assets	1.3	1.3	1.2	1.2	1.1	1.1
Per Share Data (₹)						
EPS (Basic)	9.8	10.7	11.3	11.9	12.4	14.1
EPS (fully diluted)	9.8	10.7	11.3	11.9	12.4	14.1
Cash EPS	12.8	14.2	14.6	15.7	17.0	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	99.5	109.1
DuPont Analysis						
EBIT margin	18.2	21.1	18.1	17.5	18.1	18.4
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	7.8	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	11.2	11.7
Returns (%)						
ROCE (Pre-tax)	8.8	9.8	9.1	8.8	9.3	9.7
Angel ROIC (Pre-tax)	17.1	19.3	18.4	18.6	18.6	17.9
ROE	14.2	14.2	14.0	13.6	13.0	13.5
Turnover ratios (x)						
Asset Turnover (Gross Block)	0.7	0.7	0.8	0.8	0.8	0.8
Inventory / Sales (days)	26	26	24	24	25	25
Receivables (days)	29	41	49	50	50	50
Payables (days)	114	130	116	113	103	93
WC cycle (ex-cash) (days)	25	32	29	34	43	51
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	4.3	4.4

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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%) Reduce (-5% to 15%)	Accumulate (5% to 15%) Sell (< -15%)	Neutral (-5 to 5%)
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