

NTPC

₹ 150

Hot and Coaled**Accumulate**

Feb 15, 2013

Company Background

India's largest power company, NTPC, was set up in 1975 to accelerate power development in India. NTPC is emerging as a diversified power major with a presence in the entire value chain of the power generation business. Apart from power generation, which is the mainstay of the company, NTPC has already ventured into consultancy, power trading, ash utilisation and coal mining. The total installed commercial capacity of the NTPC group is 38.18 GW (including JVs), located across the country. In addition, under JVs, seven stations are coal based while another station uses naphtha, LNG as fuel. NTPC has set a target to have an installed power generating capacity of 128 GW by the year 2032.

Key Highlights

- ➔ Nabinagar Power Generation Company Private Limited, a JV of NTPC Ltd and BSEB, Bihar has achieved financial closure for its Power Project consisting of 3 units of 660 MW each. The project is situated in of Bihar. A loan agreement for Rs 87.75 bn in this regard was signed on Feb 08, 2013 with Rural Electrification Corp Ltd. The loan would be utilised for capital expenditure.
- ➔ NTPC has signed on January 29, 2013, a term loan agreement for USD 250 mn with SBI, New York Branch & Mizuho Corp Bank, Singapore Branch. The proceeds of the loan shall be utilized towards capital expenditure for procurement of goods and services for the ongoing and new projects and renovation and modernization of stations of the Company. The loan carries a floating rate of interest linked to LIBOR and has a door to door maturity of 7 years.
- ➔ The Government of India has approved for settlement of dues of DESU period which, inter-alia, provides for payment to be made by Government of National Capital Territory of Delhi to NTPC of Rs. 25.21 bn .
- ➔ The Unit 1 of 500 MW of Vallur Thermal Power Project of NTPC Tamil Nadu Energy Co. Ltd. a JV of NTPC Ltd. and TNEB is declared on commercial operation w.e.f. November 29, 2012. With this the total commercial capacity of of NTPC Group has become 38.18 MW.
- ➔ The Unit 5 of 500 MW of Rihand Super Thermal Power Station is declared for Commercial Operation w.e.f. November 19, 2012.

Key Financials

Year Ended 31 st	Mar 10	Mar 11	Mar 12
Revenue (INR mn)	500,908.5	592,926.3	655,925.6
Rev. growth (%)	5.32	18.37	10.63
EBITDA (INR mn)	150,467.7	170,155.2	165,159.5
Net profit (INR mn)	87,282.0	91,025.9	92,237.3
Shares outstanding (mn)	8,245.5	8,245.5	8,245.5
EPS (INR)	10.6	11.0	11.2
EPS growth (%)	6.42	4.29	1.33
P/E (x)	19.6	17.5	14.5
RONW (%)	13.4	12.0	12.3
ROCE (%)	8.4	7.4	7.4

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Info Codes

Reuters	: NTPC.BO
Bloomberg	: NATP@IN
NSE	: NTPC
BSE	: 532555

Market Data

52 Wk Range (₹)	: 190 / 139
Shares in Issue (mn)	: 93.1
Mkt. Cap (₹ bn)	: 1236.81
BSE 2 Wk Avg Vol	: 1116000

Share Holding Pattern (%)

Promoters	: 84.50
DII's	: 07.51
FII's	: 04.39
Others	: 03.60

Investment Theme

NTPC plans to commission 14GW of capacity (11.9 GW balance) under 12th Plan. It has planned similar capacity addition of 14.7GW under 13th Plan, of which 4.8 GW is under construction and the balance is under project awards. This provides strong visibility on growth option. NTPC has signed long term Coal Supply Agreements (CSAs) with Coal India and Singareni Collieries for 24 GW out of 30 GW of stand alone capacity. NTPC's plant availability factor (PAF) has been robust, while plant load factor (PLF) has declined due to lower demand. Base RoE recovery is linked to PAF and is, thus, assured. Strong operating cash flow and cash equivalents of INR 178b (FY12) will support expansion plans. Growth will not be equity dilutive. Higher generation growth, led by improved domestic coal supply and demand by DISCOMs would drive core earnings, incentives.

The Super Power

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 10	Mar 11	% Chg	Mar 12	% Chg
Total Sales + Excise	466109.0	551745.8	18.37	615853.5	11.62
Other Income	33853.0	37385.3	10.43	37929.8	1.46
Change in Stocks	0.0	0.0	-	0.0	-
Raw Material Con.	289840.7	348333.1	20.18	410306.8	17.79
Employee Exp.	26405.1	29621.2	12.18	32538.2	9.85
Indirect Taxes	2949.2	3405.7	15.48	4779.9	40.35
Other Exp.	30299.3	37615.9	24.15	40998.9	8.99
Operating Exp.	349494.3	418975.9	19.88	488623.8	16.62
Operating Profit	116614.7	132769.9	13.85	127229.7	(4.17)
Total Interest	11475.8	14815.5	29.10	19935.4	34.56
Gross Profit	138991.9	155339.7	11.76	145224.1	(6.51)
Net Dep.	24910.2	38008.4	52.58	23510.9	(38.14)
Total Taxation	26799.7	26305.4	(1.84)	29475.9	12.05
Net Profit/Loss	87282.0	91025.9	4.29	92237.3	1.33

4 Years Balance Sheet

(₹ mn)

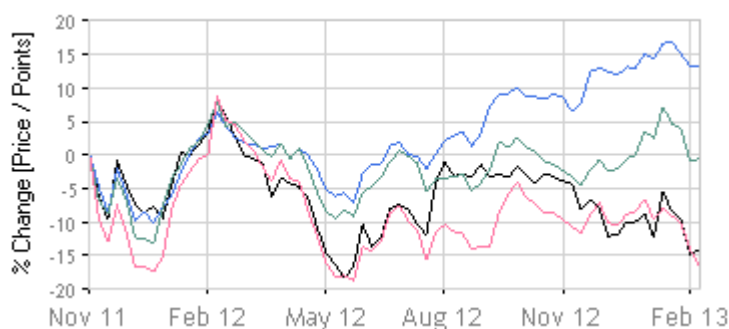
Balance Sheet as on 31 st	Mar 09	Mar 10	Mar 11	Mar 12
SOURCES OF FUNDS	944,931.0	1,002,497.5	1,110,846.1	1,235,735.0
Equity Share capital	82,455.0	82,454.6	82,454.6	82,454.6
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	516,683.0	541,919.6	596,467.9	650,457.1
Long Term Loans	342,678.0	364,970.2	425,382.4	495,863.7
Short Term Loans	3,115.0	13,153.1	6,541.2	6,959.6
USES OF FUNDS	944,931.0	1,002,497.5	1,110,846.1	1,235,735.0
Gross Block	623,510.0	668,474.2	727,530.1	818,282.6
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	294,153.0	320,887.8	335,191.9	365,719.0
Net Block	329,357.0	347,586.4	392,338.2	452,563.6
Capital Work in Progress	264,049.0	321,043.1	354,953.3	418,278.6
Investments	139,835.0	148,070.9	123,448.4	112,063.8
Current Assets	381,287.0	430,112.3	522,103.3	574,075.4
Less : Current Liabilities	169,597.0	244,516.0	281,997.1	321,246.4
Total Net Current Assets	211,690.0	185,596.3	240,106.2	252,829.0
Misc. Expenses not written	0.0	200.8	0.0	0.0
NOTE				
Bk Val Unquoted Investments	137,850.0	128,516.0	121,578.0	111,943.8
Mkt Val. Quoted Investments	2,755.0	20,770.5	2,759.6	733.2
Contingent Liabilities	349,302.0	400,079.3	379,610.3	449,791.3
Dividend (%)	36	38	38	40

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Dec 11	Mar 12	Jun 12	Sep 12
Net Sales	161,770.70	160,560.70	153,276.10	157,776.40
Cost Of Sales	121,508.20	123,293.90	118,954.00	117,796.90
Operating Profit	40,262.50	37,266.80	34,322.10	39,979.50
Recurring Income	6,699.70	6,789.40	8,165.50	7,219.90
Adjusted PBDIT	46,962.20	44,056.20	42,487.60	47,199.40
Financial Expenses	4,870.00	4,993.50	3,034.60	5,303.80
Depreciation	7,362.60	7,602.20	7,865.20	8,287.60
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	34,729.60	31,460.50	31,587.80	33,608.00
Tax Charges	10,639.60	7,572.60	10,401.50	7,944.10
Adjusted PAT	24,090.00	23,887.90	21,186.30	25,663.90
Non Recurring Items	1,844.40	1,098.80	10,237.20	303.70
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	25,934.40	24,986.70	31,423.50	25,967.60

52 Week Index Relative Percentage Appreciation



NTPC vs SENSEX vs Power vs PSU

Points to ponder

- ➔ The Board of NTPC at its meeting held on November 07, 2012, has accorded the investment approval for the Lara Super Thermal Power Project, Stage-I (2 X 800 MW) to be implemented in the state of Chhattisgarh at an appraised current estimated cost of Rs. 11,846.00 Crore subject to environmental clearance of Ministry of Environment & Forests (MOEF).
- ➔ The Unit-III of 500 MW of Indira Gandhi Super Thermal Power Project at Jhajjar of Aravali Power Company Private Limited (APCPL) a JV of NTPC Limited, Haryana Power Generation Corporation Limited and Indraprastha Power Generation Co. Ltd. has been commissioned on November 07, 2012. With the coming of Unit-III, the total installed capacity of Indira Gandhi Super Thermal Power Project has become 1,500 MW.
- ➔ The Unit 4 of 500 MW of Simhadri Super Thermal Power Station is declared under Commercial Operation w.e.f. September 30, 2012. With this the commercial capacity of Simhadri STPP will reach 2000 MW.
- ➔ NTPC Ltd priced on September 24, 2012, USD 500 mn Fixed Rate Senior Unsecured Notes under its USD 2 bn MTN Programme. The Notes carry a coupon of 4.75 % per annum payable semiannually and are of 10 year tenor. The proceeds would be used to finance capital expenditure of ongoing and/or new power projects of the company.
- ➔ The Unit 3 of 660 MW of Sipat Super Thermal Power Station Stage - I is declared for Commercial Operation w.e.f. 00:00 Hrs of August 01, 2012. With this the commercial capacity of Sipat Stage-I is 1980 MW.
- ➔ Meja Urja Nigam Private Limited, a Joint Venture of NTPC Ltd and UPRVUN Limited has achieved financial closure for Meja Thermal Power Project (1320 MW), located in the state of Uttar Pradesh. A loan agreement for Rs. 75.75 bn was signed in June 2012 with consortium of 16 Banks led by State Bank of India.

In a Nutshell

NTPC is the largest power generator in India, with installed capacity of 39.7 GW and accounting for ~30% of India's generation. It aims to add 14GW under 12th Plan v/s ~ 9GW under 11th Plan. It has signed long term Coal Supply Agreements (CSAs) with Coal India & Singareni Collieries for 24 GW out of 30 GW of stand alone capacity. The CSAs provide for periodic review in respect of Annual Contracted Quantities (ACQ). CSAs have provision for performance incentive on excess & penalty on failure. 10 out of 16 coal plants – accounting for 77% of directly owned coal fire capacity – within 80 km of coal mines with own merry go round rail system / belt conveyor system and supplies for other six plants will be transported through railway. NTPC is developing six coal blocks allotted directly with estimated geological reserves of >3 bn tn with the coal mine Pakri Barwadhi is likely to be operational in 2013. NTPC has flexibility to hike imported coal blending from current levels and source coal via e-auctions. It has also ventured into related areas like coal mining, distribution, transmission & gas exploration. NTPC plans to tide the gap by CSAs with existing suppliers & coal production from 6 coal blocks allocated by the Government. It expects commencement of production in FY14 from captive coal blocks to support PLFs of existing capacities till supply levels from CIL improve and new capacities based on these captive blocks are brought on stream. MoC has given In principle approval for the allotment of additional coal blocks for four new projects of total 8,460 MW capacity.

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Rating Interpretation

Buy	: Expected to appreciate 20% or more over 12-months	Reduce	: Expected to depreciate up to 10% over 12-months
Accumulate	: Expected to appreciate 10% to 20% over 12-months	Sell	: Expected to depreciate 10% or more over 12-months
Trade Buy	: Expected to appreciate more than 10% over 45-days	Trade Sell	: Expected to depreciate more than 10% over 45-days

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