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May 24, 2008

The Week Gone By

Weekly Newsletter

Parag's View

Every time the markets move up faster than the imaginations of the majority of the crowd, we see the surprise at the pace of the rally echoed by majority on the street. When the markets tank, the fall historically has been faster than the rise in the markets. One often gets to hear how the markets are not for the week hearted or the markets are nothing but sophisticated casinos made for the pleasure of the super rich. There are also the voices in the markets that claim that the markets get inflated to a level where it reaches BUBBLE proportions and the fall in the markets was inevitable. Today I would like to dwell a little more on this particular term/ phrase and try to understand that there is a clear cut scenario where the so called bubble is the effect of certain different things working in tandem rather than the bubble being the cause of the fall in the markets.

In the words of Eric Janszen, one can get a fair idea as to what he is trying to imply and I quote: *(A financial bubble. I will use the familiar term "bubble" as shorthand, but note that it confuses cause with effect. A better, if ungainly, descriptor would be "asset-price hyperinflation"—the huge spike in asset prices that results from a perverse self-reinforcing belief system, a fog that clouds the judgment of all but the most aware participants in the market. Asset hyperinflation starts at a certain stage of market development under just the right conditions. The bubble is the result of that financial madness, seen only when the big fog rolls away, is a market aberration manufactured by government, finance and industry, a shared speculative hallucination and then a crash, followed by a depression. Bubbles were once very rare- one every hundred years or so was enough to motivate politicians, bearing the post-bubble ire of their newly destitute citizenry, to enact legislation that would prevent subsequent occurrences. After the dust settled from the 1720 crash of the South Sea Bubble, for instance, British Parliament passed the Bubble Act to forbid "raising or pretending to raise a transferable stock." For a century this law did much to prevent the formation of new speculative swellings.)*

(Eric Janszen is the founder and president of iTulip.Inc. He formerly served as the managing director of the venture firm Osborn Capital, CEO of AutoCell Inc., Bluesocket Inc. and entrepreneur-in-residence for Trident Capital.)

Broadly what it means is that a bubble is the end result of actions taken in the past. In today's world where information passage has become more seamless than ever before, more and more ideas are generated considering the macro level rather than the micro level. Add to this the cost of money reducing by the day; it becomes even all the more necessary for the money managers to show returns faster than ever before.

One is always on the lookout for finding the next big thing or idea that will increase ones wealth many folds, this leads to wrongly estimating the true potential of the idea itself. More often than not after the bubble has burst and when the true reason for the crash is introspected, one usually finds out that it was those simple things that were ignored that led to the bubble formation itself. In my view it is very important that one does his or her due diligence before betting big or small on the so called next big idea.

Inside

Mercator Lines Limited

CMP Rs. 117.0

Research Associate : Hiren Samani

Fourth Quarter Performance

On a consolidated basis, Mercator Lines registered a 25% growth Q-o-Q in revenues & an impressive 79.3% jump in reported PAT. This comes largely on the back of Forex Gain of Rs. 160.5 Mn. & Profit on sale of Assets of Rs. 295.3 Mn. during the quarter. The company however, suffered an extra-ordinary loss of Rs. 417.6 Mn. during Q4FY08 as compared to a loss of Rs. 130.3 Mn. in Q3FY08.

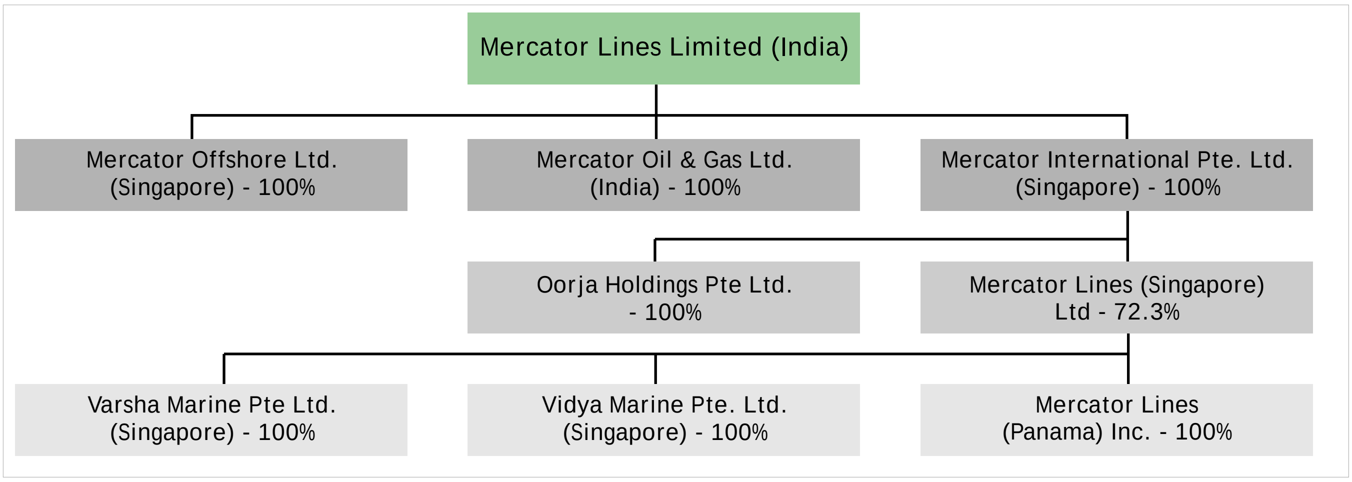
On a Y-o-Y basis, the company showed higher growth of 48.3% in revenues & 150% in reported PAT over Q4FY07. This again was attributable to the Forex Gain & Profit on sale of Assets during Q4FY08. Operating Margins improved for the company from 25.3% in Q4FY07 to 43.8% in Q4FY08. It also registered significant jump at EBIT & PAT levels. On the expense side, the company was able to reduce its Operating Expenses by more than 400 bps on a Q-o-Q basis & by more than 1,600 bps on a Y-o-Y basis. It was also able to marginally reduce dry docking & other expenses in comparison to Q4FY07.

Continuing its tradition of paying dividend every year, the company has proposed a dividend of Rs. 1.10 per share for the year ended 2007-08.

Company Description

Mercator Lines Ltd. (MLL) is the fastest growing private sector shipping company in India. Incorporated in 1983 as a lighterage service provider, the company has diversified its business into tanker & dry bulk segments. Starting with a modest tonnage of 0.004 million DWT in 1994, Mercator Lines (including its subsidiaries) currently owns a capacity of 2.3 million DWT (owned & chartered). On a consolidated basis, its fleet include 8 dry bulk carriers & 9 tankers, with a average fleet age of ~10.7 years. The company has recently acquired 3 dredgers during the fourth quarter of FY2008.

Mercator Lines has eight subsidiaries of which six are incorporated in Singapore & one each in India & Panama. The preference for Singapore as a destination for incorporating subsidiaries & registering ships stems from the fact that it has a tax-friendly regime.



As providers of marine transportation services across the world, the company, over the years, have developed an impressive list of clients, both domestic & international, which include names like IOCL, MRPL, HPCL, RIL, Arcelor Mittal, Unipec, Petronas, British Gas, among others.

Fleet Expansion to boost revenues further

Seeing the recent boom in the shipping sector, MLL has been very aggressive in expanding its fleet base in the past couple of years. The company ventures into shipping with 2 oil tankers & since then have increased its fleet size to 20 owned vessels (27 including chartered vessels). The company has further placed orders for a Very Large Ore Carrier (VLOC) & 2 Panamax size bulk carriers through its Singapore subsidiary, which are expected to be delivered by 2009. This fleet expansion would definitely give a big boost to the company's top-line.

70 : 30 Business Policy

Mercator Lines has been following a prudent business policy of deploying its vessels between a mix of time & spot charter. This helps the company to counter the fluctuations in day rates & at the same time take advantage of the higher day rates in the spot markets. The company generally deploys 70% of its vessels on time charter ranging from one year to five year periods. The remaining 30% vessels are deployed in the spot market. Over the years, this 70 : 30 policy has given stable growth in revenues to the company.

Foray into new segments

Over the years, MLL has been quick in identifying growth in various business segments of the shipping & related industry. Foreseeing growth in related segments, the company has forayed into various related business segments, thereby lowering its dependence on any one segment.

Dredging : The dredging market in India is at a nascent stage currently, but the outlook for the sector looks promising on account of the high volumes of capital dredging required for the development of greenfield ports on the eastern & western coast of the country. Also there is a huge demand for maintenance dredging at all major ports across the country. Seeing the vast opportunity within the sector, MLL has recently acquired 3 dredgers in the last quarter of FY2008, at an approximate cost of US$ 20 Mn. each. It would also be taking delivery of the fourth dredger in Q1FY09. All the 3 dredgers were operational for the fourth quarter of FY2008 at an average day rate of US$ 25,000. This foray is going to allow MLL to reap the benefits of the huge demand for dredgers witnessed currently.

Offshore : Sensing the ever increasing demand for energy & the relative boom in the offshore oil & gas segment globally, MLL has planned to enter into the offshore segment. It has placed an order for a new jack up drilling rig at a cost of US$ 200 Mn., that would be delivered to it by March 2009. The company has already entered into a one year contract for the rig that would add about US$ 100,000 per day to its bottom-line. We expect the buoyancy in the offshore segment to continue & the company would benefit immensely from the growing demand for drilling rigs.

Coal Mining : Following its strategy of backward integration, the company has entered into a new JV agreement for mining of coal. It has acquired participating interests for two Coal mining licenses in Indonesia & one in Mozambique, which stands at 51% & 85% respectively. The company expects the revenue from this segment to start flowing from second quarter of this financial year & it expects to mine & sell 1 Mn. ton of coal for the current financial year. We see some more clarifications on this front to come from the company within sometime. Nevertheless, we expect this venture to be a good revenue booster for the company.

Shipbuilding : Mercator Lines has shown a keen interest in the shipbuilding sector, that is witnessing an unprecedented boom recently. The company is likely to build up a shipyard at Palghar, Maharashtra at an investment of around Rs. 1,000 crores.

Concerns going ahead

- Any downturn in the shipping cycle can prove detrimental to the company's future.
- Weakening of freight rates can have a negative impact on its earnings.Delay in delivery of new vessels / assets can harm on the company's growth plans.
- Inexperience in the new ventures may affect profitability.

Mercator Lines Limited - Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q408	Q308	Q-Q(%)	Q407	Y-Y(%)	12M08	12M07	Y-Y(%)
Net Revenues	4,663.9	3,722.1	25.3%	3,145.9	48.3%	14,690.2	11,203.1	31.1%
Cost of Materials	0.0	0.0		0.0		0.0	0.0	
Gross Profit	4,663.9	3,722.1	25.3%	3,145.9	48.3%	14,690.2	11,203.1	31.1%
Operating Expenses	2,229.4	1,931.2	15.4%	2,018.1	10.5%	7,907.5	7,398.1	6.9%
Staff Costs	103.2	65.7	57.2%	46.5	122.0%	299.4	136.5	119.2%
Dry Docking Expenses	205.2	85.1	141.1%	181.6	13.0%	421.1	548.2	-23.2%
Other Expenses	81.9	41.6	96.8%	104.3	-21.4%	188.4	188.2	0.1%
Total Expenditure	2,619.7	2,123.6	23.4%	2,350.6	11.4%	8,816.3	8,271.1	6.6%
Operating Profit	2,044.2	1,598.5	27.9%	795.3	157.0%	5,873.8	2,932.0	100.3%
OPM (%)	43.8%	42.9%		25.3%		40.0%	26.2%	
Forex Gain/(Loss)	160.5	(8.8)	-1925.2%	0.0		433.3	0.0	
Other Income	92.6	35.5	160.7%	118.7	-22.0%	624.3	272.6	129.0%
EBITDA	2,297.4	1,625.2	41.4%	914.0	151.4%	6,931.5	3,204.6	116.3%
Depreciation	474.2	453.4	4.6%	286.5	65.5%	1,675.0	1,038.0	61.4%
EBIT	1,823.2	1,171.8	55.6%	627.5	190.5%	5,256.5	2,166.6	142.6%
Interest	338.1	366.5	-7.7%	216.6	56.1%	1,320.2	814.2	62.1%
PBT	1,485.1	805.3	84.4%	410.9	261.4%	3,936.3	1,352.4	191.1%
Tax	38.9	15.8	145.9%	(15.1)	-356.8%	90.2	34.1	164.5%
PAT	1,446.2	789.5	83.2%	426.0	239.5%	3,846.1	1,318.3	191.8%
Minority Interest (MI)	242.7	56.2	331.8%	0.8	30737.4%	298.9	0.8	37878.5%
PAT after MI	1,203.5	733.3	64.1%	425.2	183.0%	3,547.2	1,317.5	169.2%
Extraordinary Income	(122.3)	(130.2)	-6.0%	7.2	-1809.1%	(270.6)	31.1	-970.4%
Reported PAT	1,081.2	603.1	79.3%	432.4	150.0%	3,276.6	1,348.6	143.0%
Equity Capital	234.9	230.2		189.2		234.9	189.2	
EPS	4.60	2.62	75.7%	2.28	101.4%	13.95	7.13	95.7%

Ratio Analysis								
Profitability								
YE March (Rs. Mn.)	Q408	Q308	Q-Q(bps)	Q407	Y-Y(bps)	12M08	12M07	Y-Y(bps)
OPM (%)	43.8%	42.9%	88.4	25.3%	1,855.0	40.0%	26.2%	1,381.3
EBITDA (%)	49.3%	43.7%	559.4	29.1%	2,020.4	47.2%	28.6%	1,858.0
EBIT (%)	39.1%	31.5%	760.8	19.9%	1,914.3	35.8%	19.3%	1,644.3
PAT (%)	23.2%	16.2%	697.8	13.7%	943.7	22.3%	12.0%	1,026.7

Operational Parameters								
YE March (Rs. Mn.)	Q408	Q308	Q-Q(bps)	Q407	Y-Y(bps)	12M08	12M07	Y-Y(bps)
RM Consumed	0.0%	0.0%	0.0	0.0%	0.0	0.0%	0.0%	0.0
Operating Expenses	47.8%	51.9%	(408.5)	64.2%	(1,635.2)	53.8%	66.0%	(1,220.8)
Staff Costs	2.2%	1.8%	44.9	1.5%	73.5	2.0%	1.2%	81.9
Dry Docking Expenses	4.4%	2.3%	211.3	5.8%	(137.5)	2.9%	4.9%	(202.7)
Other Expenses	1.8%	1.1%	63.8	3.3%	(155.8)	1.3%	1.7%	(39.8)
Effective Tax Rate	2.6%	2.0%	65.4	-3.7%	629.8	2.3%	2.5%	-23.0

Mercator Lines Limited - Financials

Earnings Statement

Particulars (Rs Mn)	FY04	FY05	FY06	FY07
Total Revenues	2,423.3	5,606.6	8,262.5	11,227.6
- Growth (%)		131.4%	47.4%	35.9%
Total Expenditure	1,655.5	3,408.7	4,781.4	8,271.1
Operating Profit	767.8	2,197.9	3,481.1	2,956.5
Other Income	1.1	6.8	166.8	241.6
EBITDA	769.0	2,204.7	3,647.9	3,198.1
Depreciation	131.2	326.9	936.7	1,038.0
EBIT	637.7	1,877.8	2,711.1	2,160.0
Interest	98.0	194.0	707.7	807.7
PBT	539.7	1,683.8	2,003.5	1,352.4
Tax	20.5	(36.2)	27.1	34.1
PAT Before EI	519.3	1,720.0	1,976.4	1,318.3
- Growth (%)		231.2%	14.9%	-33.3%
Minority Interest	0.0	0.0	0.0	0.8
Extra-ordinary Items	(20.8)	24.1	32.0	26.8
PAT	498.5	1,744.2	2,008.3	1,344.3

Ratio Analysis

Particulars	FY04	FY05	FY06	FY07
OPM (%)	31.7%	39.2%	42.1%	26.3%
EBITDA (%)	31.7%	39.3%	44.1%	28.5%
PBIT (%)	26.3%	33.5%	32.8%	19.2%
PAT (%)	20.6%	31.1%	24.3%	12.0%
Interest Cover (x)	6.5	9.7	3.8	2.7
EPS (Rs.)	8.3	24.0	10.6	7.1
P/E (x)	14.7	5.1	11.5	17.2
P/BV (x)	8.1	2.6	4.3	3.7
BVPS (Rs.)	15.0	47.2	28.6	33.2
Market Cap (Rs. Mn.)	7,338.4	8,861.8	23,068.7	23,068.7
M Cap/Sales (x)	3.0	1.6	2.8	2.1
EV (Rs. Mn.)	8,319.6	13,902.9	34,989.8	37,628.3
EV/EBITDA (x)	10.8	6.3	9.6	11.8
EV/Sales (x)	3.4	2.5	4.2	3.4
ROCE (%)	33.3%	21.6%	14.6%	8.8%
RONW (%)	57.5%	50.1%	36.5%	21.0%
Debt/Equity Ratio (x)	1.1	1.5	2.4	2.9
Inventory T/o Days	4.1	5.0	10.5	8.1
Debtors T/o Days	31.2	40.1	34.1	60.4
Advances T/o Days	12.4	9.5	112.3	67.9
Creditors T/o Days	18.7	31.5	26.8	60.1
Working Cap T/o Days	27.6	31.4	179.4	192.2
Fixed Assets T/o (Gross)	1.2	0.7	0.6	0.6
DPS (Rs.)	0.5	2.0	0.9	1.0
Dividend Payout (%)	6.0%	8.2%	8.3%	14.1%
Dividend Yield (%)	0.4%	1.6%	0.7%	0.8%

Balance Sheet

Particulars (Rs Mn)	FY04	FY05	FY06	FY07
Equity Capital	60.2	72.7	189.2	189.2
Preference Capital	0.0	400.0	400.0	400.0
Warrants against Share Capital	0.0	16.8	48.8	48.8
Reserves	843.5	2,944.1	4,771.7	5,645.6
Shareholders Funds	903.7	3,433.6	5,409.8	6,283.7
Borrowed Funds	1,011.0	5,265.0	13,103.1	18,347.3
Deferred Tax Liability	66.4	18.0	0.0	0.0
Total Liabilities	1,981.1	8,716.7	18,512.9	24,631.0
Fixed Assets	1,793.5	8,210.1	13,453.8	17,848.5
Investments	4.3	25.0	997.8	870.7
Current Assets				
Inventory	27.1	76.9	237.2	250.0
Sundry Debtors	207.3	616.4	771.3	1,859.3
Loans & Advances	82.5	145.9	2,542.8	2,087.9
Cash & Bank Balance	29.7	223.9	1,182.0	3,787.8
Current Liabilities				
Sundry Creditors	124.4	484.0	606.5	1,848.4
Provisions	39.0	97.6	65.6	224.7
Net Current Assets	183.4	481.6	4,061.3	5,911.9
Total Assets	1,981.1	8,716.7	18,512.9	24,631.0

Cash Flow

Particulars (Rs Mn)	FY04	FY05	FY06	FY07
Opening Cash & Bank	2.3	29.7	223.9	1,182.0
Profit After Tax	519.3	1,720.0	1,976.4	1,318.3
Investment Income	(1.1)	(6.8)	(166.8)	(241.6)
Interest Paid	98.0	194.0	707.7	807.7
Miscellaneous Exp W/Off	0.0	0.0	0.0	0.0
Depreciation	131.2	326.9	936.7	1,038.0
Deferred Taxation	13.7	(48.4)	(18.0)	0.0
Others	(67.1)	(341.8)	(548.2)	(802.5)
Change in Working Cap	(60.4)	(104.1)	(2,621.6)	755.1
CF - Operating Activities	633.6	1,739.9	266.2	2,875.0
Change in Fixed Assets	(1,379.6)	(6,703.2)	(6,051.5)	(5,120.1)
Change in Investments	0.2	(20.7)	(972.8)	127.1
Investment Income	1.1	6.8	166.8	241.6
CF - Investing Activities	(1,378.3)	(6,717.2)	(6,857.5)	(4,751.4)
Increase in Equity	142.8	548.6	193.4	(212.4)
Changes in Preference Capital	0.0	400.0	0.0	0.0
Changes in Borrowings	693.5	4,254.0	7,838.1	5,244.2
Interest Paid	(98.0)	(194.0)	(707.7)	(807.7)
Dividend Paid	34.0	162.8	225.6	257.9
CF - Financing Activities	772.2	5,171.4	7,549.5	4,482.1
Net Change in Cash	27.5	194.1	958.2	2,605.7
Closing Cash & Bank Balance	29.7	223.9	1,182.0	3,787.8

NTPC Limited

CMP Rs. 180.0

Research Trainee : Shraddha Shah

Sector Overview:

Since 1950, the demand for power has been much greater than the supply giving the power generation sector a tremendous growth potential. To sustain the economic growth India has seen, the country's infrastructure needs immediate and adequate attention. India's infrastructure is set to accelerate and the Government of India estimates a $1.5 trillion investment over the next 10 years. Comparatively, only $0.2 trillion have been pumped in over the last 5 years.

To achieve the desired growth in the power sector and infrastructure as a whole, the government is encouraging public-private partnerships. Since profitability has increased, there has been a steady influx of private sector companies into the power sector. The State and Central governments are in better financial shape due to the increase in tax revenue over the past two years which leads to better partnerships and greater outputs.

Sector Future Targets:

India plans to add 78GW in the XI Five Year Plan (FYP). Out of the 78GW to be added, 60GW is already under construction. To achieve the targets of the XI FYP, the government has identified the development of 9 Ultra Mega Power Projects (UMPPs). Out of which 2 have been alloted to Reliance Power, 1 to Tata Power while 6 are yet to be alloted. India's per capita power consumption is 606kwh while the global average is 3,000kwh. With the economic growth of the past 5 years, demand is only increasing faster than the supply and the past FYPs have shown 50% achievement or less. Hence there is scope for major improvement. India's current generation capacity is 1,430,61MW out of which NTPC capacity is 20.4%.

Company Overview:

NTPC is the largest power utility. Its core business is engineering, construction and operation of power generation plants. But now it is venturing onto new grounds and diversifying its business model to include nuclear power generation of 2000MW by 2017, consultancy services for international and domestic corporations and vertical backward integration of coal mining and LNG since the captive coal mining arena has opened up. NTPC provides power at the cheapest average tariff which can bite out of its profitability. On the flip side, since its a public sector company, NTPC does not need to bid for new projects.

Through its JV and collaborations, NTPC plans to enter the equipment manufacturing arena as well. NTPC is heading the power exchange project, namely 'Power Trading Corporation Ltd.', to be started along with Tata Power, PGCIL, PFC, NHPC, DV and other FIIs. This project will create an exchange where power can be traded, imported, exported and purchased as any other commodity hence, leading to transparency and convenience of the process.

Capacity:

In March '08 the installed capacity was 27,350MW as compared to 26,580MW in December '07 through its 22 standalone plants. 15 coal-based plants with a capacity of 23,295MW and 7 gas-based with a capacity of 3,955MW and 4 JV plants of 1,794MW which totals to 29,144MW. It also has 8 JVCs with various other companies not all of which have power plants. The PLF of their coal-based plants is ~91% and is above the national average of ~76% while the PLF of their gas-based plants is 78.2%.

Financial Highlights:

- On a consolidated basis, Net Revenues have grown 19.0% for 9M08 Y-o-Y. Even though the cost of materials has increased 123.9% for the same time period.
- The OPM% has increased 14.7% for Q308 Y-o-Y.
- NTPC witnessed a slowdown at PAT levels when compared Q-o-Q. Q308 PAT levels were 7.6% lower than Q208.
- Comparatively, PAT levels were down 15.4% when compared on an Y-o-Y. for Q308 .
- The EPS has also decreased considerably by 15.3% on a Y-o-Y. Comparison done between Q308 and Q307.
- The tax paid has increased dramatically at 600.2% for Q308 Y-o-Y.

Future Targets:

NTPC plans to add 22GW to its current capacity during the XI FYP and another 23GW during the XII FYP. By 2017, NTPC plans to have a capacity of 75,000MW and a trading volume of 25 BU compared to the current 2.66 BU. Its capex for FY 08-09 is Rs. 13,588 cr. It plans to add 500MW at Sipat in 2 phases, 500MW at Kahalagaon, 250MW in a JV plant with SAIL during the current financial year and has already commissioned 740MW at Dabhol.

Concerns:

We feel NTPC might fall short of its target of 22GW since only 1000MW has been added during the first year of the XI FYP. NTPC has also been having trouble acquiring power plant equipment on time from BHEL and hence has not been able to meet its deadlines. Also, the fate of their gas-based plants is dependent on what is decided between RIL and NTPC. The PLF of their gas-based plants is a matter of concern but once the gas supply from the RIL pipeline regularizes and NTPC begins producing it the situation should improve. With coal prices rocketing skywards, there might be a possible cap of their returns from the mining business as well as on their profitability.

Opinions:

- Revenues are steadily increasing and so is the OPM steady at ~30%
- Our Replacement Cost Valuation puts a present fair value of Rs. 206.1 as per the calculations given below.
- At the CMP Rs. 180, the stock is trading at 18.7x FY08 earnings and 12.3x FY10E earnings. Compared to the sector
- P/E of 15.21x we would recommend accumulate the stock keeping in mind the low risk factor, the future growth plans and its past track record.

Replacement Cost Valuation

Current Total Capacity	29,144 MW
Total Capacity (FY17)	75,000 MW
Capex/MW (Rs. Mn.)	50
Replacement Cost (Rs. Mn.)	3,750,000
FY17 Net Debt (Rs. Mn.)	-199,118
Value of Equity (Rs. Mn.)	3,949,118
No. of Shares (Mn.)	8,245
Fair Value Per Share (Rs.)	479
Disc. by 13% for 3 years and 10% for the next 5 years (Rs.)	206
CMP (Rs.)	180
Calculated Upside	14.50%

NTPC is targeting a total capacity of 75,000MW by 2017. The average assumed cost to install 1MW of capacity is Rs. 50 Mn. The present fair value is Rs. 206.1 when discounted by 13% for the first 3 years and 10% for the next 5 years from 2012-2017. Our call is to “Accumulate” at Rs. 172 or lower levels.

NTPC Limited - Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q308	Q208	Q-Q(%)	Q307	Y-Y(%)	9M08	9M07	Y-Y(%)
Net Revenues	93,308.0	80,169.0	16.39%	81,468.0	14.53%	263,174.0	221,142.0	19.01%
Cost of Materials	54,770.0	44,203.0	23.91%	56,068.0	-2.32%	98,973.0	44,203.0	123.91%
Gross Profit	38,538.0	35,966.0	7.15%	25,400.0	51.72%	164,201.0	176,939.0	-7.20%
Staff Costs	4,816.0	4,126.0	16.72%	2,805.0	71.69%	14,994.0	13,599.0	10.26%
Other Expenses	4,031.0	4,350.0	-7.33%	56,068.0	-92.81%	65,081.0	122,835.0	-47.02%
Total Expenditure	63,617.0	52,679.0	20.76%	58,873.0	8.06%	179,048.0	180,637.0	-0.88%
Operating Profit	29,691.0	27,490.0	8.01%	22,595.0	31.41%	84,126.0	77,832.0	8.09%
OPM (%)	*31.82%*	*34.29%*	-7.20%	*27.73%*	14.73%	*32.05%*	*30.25%*	5.97%
Other Income	7,624.0	7,323.0	4.11%	7,752.0	-1.65%	22,128.0	21,368.0	3.56%
EBITDA	37,315.0	34,813.0	7.19%	30,347.0	22.96%	106,254.0	99,200.0	7.11%
Depreciation	5,266.0	5,134.0	2.57%	5,138.0	2.49%	15,314.0	16,129.0	-5.05%
EBIT	32,049.0	29,679.0	7.99%	25,209.0	27.13%	90,940.0	83,071.0	9.47%
Interest	4,665.0	4,964.0	-6.02%	2,807.0	66.19%	9,907.0	11,161.0	-11.24%
PBT	27,384.0	24,715.0	10.80%	22,402.0	22.24%	81,033.0	71,910.0	12.69%
Tax	9,585.0	5,460.0	75.55%	1,369.0	600.15%	20,280.0	11,609.0	74.69%
PAT	17,799.0	19,255.0	-7.56%	21,033.0	-15.38%	60,753.0	60,301.0	0.75%
Equity Capital	82,455.0	82,455.0	0.00%	82,455.0	0.00%	82,455.0	82,455.0	0.00%
EPS	2.2	2.3	-7.69%	2.6	-15.29%	7.4	7.3	0.68%

Ratio Analysis								
Profitability								
YE March (Rs. Mn.)	Q308	Q208	Q-Q(bps)	Q307	Y-Y(bps)	9M08	9M07	Y-Y(bps)
OPM (%)	34.29%	30.04%	0.14	27.02%	0.27	32.05%	27.47%	0.2
EBITDA (%)	43.42%	38.05%	0.14	36.56%	0.19	40.58%	36.69%	0.1
EBIT (%)	37.02%	32.57%	0.14	29.55%	0.25	34.67%	29.86%	0.2
PAT (%)	24.02%	26.42%	-0.09	21.63%	0.11	25.29%	21.67%	0.2

NTPC Limited - Financials

Earnings Statement								
Particulars (Rs Mn)	FY04	FY05	FY06	FY07	FY08E	FY09E	FY10E	FY11E
Total Revenues	198,332.0	231,885.0	267,315.0	326,358.0	363,826.9	458,697.4	554,339.8	643,096.1
- Growth (%)		16.9%	15.3%	22.1%	11.5%	26.1%	20.9%	16.0%
Total Expenditure	146,633.0	158,241.0	186,709.0	225,494.0	254,678.8	321,088.2	388,037.9	450,167.3
- Growth (%)		7.92%	17.99%	20.77%	12.94%	26.08%	20.85%	16.01%
Operating Profit	51,699.0	73,644.0	80,606.0	100,864.0	109,148.1	137,609.2	166,301.9	192,928.8
Other Income	61,310.0	23,575.0	26,078.0	27,449.0	30,651.7	30,249.1	32,450.0	34,311.0
EBITDA	113,009.0	97,219.0	106,684.0	128,313.0	139,799.7	167,858.3	198,751.9	227,239.9
Depreciation	20,232.0	19,584.0	20,477.0	20,754.0	22,102.7	23,979.9	26,162.7	29,800.7
EBIT	92,777.0	77,635.0	86,207.0	107,559.0	117,697.1	143,878.4	172,589.2	197,439.2
Interest	33,697.0	16,955.0	17,632.0	18,594.0	13,489.8	13,489.8	13,489.8	13,489.8
PBT	59,080.0	60,680.0	68,575.0	88,965.0	104,207.3	130,388.6	159,099.4	183,949.3
Tax	6,289.0	2,712.0	7,885.0	20,427.0	25,009.7	31,293.3	38,183.9	44,147.8
PAT Before EI	52,791.0	57,968.0	60,690.0	68,538.0	79,197.5	99,095.3	120,915.5	139,801.5
- Growth (%)		9.8%	4.7%	12.9%	15.6%	25.1%	22.0%	15.6%
Extra-ordinary Items	(183.0)	102.0	(2,488.0)	109.0	0.0	0.0	0.0	0.0
Reported PAT	52,608.0	58,070.0	58,202.0	68,647.0	79,197.5	99,095.3	120,915.5	139,801.5

Balance Sheet								
Particulars	FY04	FY05	FY06	FY07	FY08E	FY09E	FY10E	FY11E
Equity Capital	78,125.0	82,455.0	82,455.0	82,455.0	82,455.0	82,455.0	82,455.0	82,455.0
Reserves	277,376.0	335,308.0	367,132.0	403,513.0	447,500.8	502,540.2	569,699.0	647,347.4
Shareholders Funds	355,501.0	417,763.0	449,587.0	485,968.0	529,955.8	584,995.2	652,154.0	729,802.4
Borrowed Funds	154,528.0	170,878.0	201,973.0	244,844.0	168,623.0	168,623.0	168,623.0	168,623.0
Deferred Tax Liability	5,376.0	3,375.0	4,409.0	6,568.0	10,736.3	15,951.8	22,315.8	29,673.8
Total Liabilities	515,405.0	592,016.0	655,969.0	737,380.0	709,315.1	769,570.1	843,092.8	928,099.2
Fixed Assets	287,498.0	322,433.0	367,235.0	424,873.0	395,258.3	421,483.1	465,170.4	599,080.6
Investments	173,380.0	207,977.0	192,891.0	160,943.0	160,943.0	160,943.0	160,943.0	160,943.0
Current Assets	135,468.0	129,073.0	157,245.0	221,827.0	230,615.6	284,855.0	335,064.1	305,067.1
Inventory	17,380.0	17,777.0	23,405.0	25,102.0	29,903.6	37,701.2	45,562.2	52,857.2
Sundry Debtors	4,699.0	13,747.0	8,678.0	12,523.0	15,948.6	20,107.3	24,299.8	28,190.5
Loans & Advances	27,279.0	27,052.0	30,287.0	40,476.0	44,855.4	56,551.7	68,343.3	79,285.8
Cash & Bank Balance	6,091.0	60,783.0	84,714.0	133,146.0	128,113.4	155,624.6	178,888.0	123,885.4
Other Current Assets	80,019.0	9,714.0	10,161.0	10,580.0	11,794.7	14,870.2	17,970.8	20,848.1
Current Liabilities	80,941.0	67,467.0	61,402.0	70,263.0	77,501.9	97,711.1	118,084.7	136,991.4
Sundry Creditors	65,244.0	52,306.0	49,102.0	54,221.0	59,807.2	75,402.3	91,124.4	105,714.4
Provisions	15,697.0	15,161.0	12,300.0	16,042.0	17,694.7	22,308.8	26,960.3	31,277.0
Net Current Assets	54,527.0	61,606.0	95,843.0	151,564.0	153,113.7	187,143.9	216,979.4	168,075.7
Total Assets	515,405.0	592,016.0	655,969.0	737,380.0	709,315.1	769,570.1	843,092.8	928,099.2

Ratio Analysis								
Particulars	FY04	FY05	FY06	FY07	FY08E	FY09E	FY10E	FY11E
OPM (%)	27.4%	32.7%	30.2%	30.9%	30.0%	30.0%	30.0%	30.0%
EBITDA (%)	57.0%	41.9%	39.9%	39.3%	38.4%	36.6%	35.9%	35.3%
PBIT (%)	46.8%	33.5%	32.2%	33.0%	32.3%	31.4%	31.1%	30.7%
PAT (%)	26.6%	25.0%	22.7%	21.0%	21.8%	21.6%	21.8%	21.7%
Interest Cover (x)	2.8	4.6	4.9	5.8	8.7	10.7	12.8	14.6
EPS (Rs.)	6.8	7.0	7.4	8.3	9.6	12.0	14.7	17.0
P/E (x)	26.6	25.6	24.5	21.7	18.7	15.0	12.3	10.6
P/BV (x)	4.0	3.6	3.3	3.1	2.8	2.5	2.3	2.0
BVPS (Rs.)	45.5	50.7	54.5	58.9	64.3	70.9	79.1	88.5
Market Cap (Rs. Mn.)	1,406,250	1,484,190	1,484,190	1,484,190	1,484,190	1,484,190	1,484,190	1,484,190
M Cap/Sales (x)	7.5	6.6	5.6	4.6	4.1	3.2	2.7	2.3
EV (Rs. Mn.)	1,554,687	1,594,285	1,601,449	1,595,888	1,524,700	1,497,188	1,473,925	1,528,928
EV/EBITDA (x)	13.8	16.4	15.0	12.4	10.9	8.9	7.4	6.7
EV/Sales (x)	8.2	7.1	6.0	4.9	4.2	3.3	2.7	2.4
ROCE (%)	21.4%	14.8%	14.5%	16.1%	18.6%	21.4%	23.8%	25.0%
RONW (%)	14.8%	13.9%	13.5%	14.1%	14.9%	16.9%	18.5%	19.2%
Debt/Equity Ratio (x)	0.08	0.06	0.07	0.08	0.08	0.10	0.10	0.11
Inventory T/o Days	32.0	28.0	32.0	28.1	30.0	30.0	30.0	30.0
Debtors T/o Days	8.6	21.6	11.8	14.0	16.0	16.0	16.0	16.0
Advances T/o Days	50.2	42.6	41.4	45.3	45.0	45.0	45.0	45.0
Creditors T/o Days	120.1	82.3	67.0	60.6	60.0	60.0	60.0	60.0
Working Cap T/o Days	100.3	97.0	130.9	169.5	153.6	148.9	142.9	95.4
Fixed Assets T/o (Gross)	0.5	0.5	0.6	0.6	0.7	0.8	0.8	0.9
DPS (Rs.)	1.4	2.4	2.8	3.2	3.6	4.6	5.6	6.4
Dividend Payout (%)	20.5%	34.1%	38.0%	38.5%	38.0%	38.0%	38.0%	38.0%
Dividend Yield (%)	0.8%	1.3%	1.6%	1.8%	2.0%	2.5%	3.1%	3.6%

Local Equity Market

INDICES	26-May-08	Week Ago	% Chng	Month Ago	% Chng
Sensex	16,649.64	17,434.94	(4.50)	17,125.98	(2.78)
Nifty	4,946.55	5,157.70	(4.09)	5,111.70	(3.23)
CNX Nifty Junior	8,541.00	9,014.90	(5.26)	8,963.80	(4.72)
S&P CNX500	4,037.35	4,198.10	(3.83)	4,162.55	(3.01)
CNX Midcap 200	6,747.40	6,952.70	(2.95)	6,849.45	(1.49)
CNX IT	4,390.35	4,552.65	(3.56)	4,165.60	5.40

International Equity Market

INDICES	26-May-08	Week Ago	% Chng	Month Ago	% Chng
DJIA	12,479.63	13,028.16	(4.21)	12,891.86	(3.20)
Nasdaq	2,444.67	2,516.09	(2.84)	2,422.93	0.90
S&P 500	1,375.93	1,426.63	(3.55)	1,397.84	(1.57)
FTSE 100	6,087.30	6,376.50	(4.54)	6,091.40	(0.07)
Nikkei 225	13,699.85	14,269.61	(3.99)	13,863.47	(1.18)
Hang Seng	24,200.77	25,742.23	(5.99)	25,516.78	(5.16)
HSCEI	13,271.48	14,367.70	(7.63)	14,221.62	(6.68)

MSCI Indices

MSCI Indices	26-May-08	Week Ago	% Chng	Month Ago	% Chng
The World Index	1,517.41	1,560.68	(2.77)	1,518.06	(0.04)
Emerging Market	1,207.96	1,249.73	(3.34)	1,194.38	1.14
EM Asia	455.54	476.82	(4.46)	477.34	(4.57)
EM India	493.19	517.91	(4.77)	536.38	(8.05)

Commodities

Commodities	26-May-08	Week Ago	% Chng	Month Ago	% Chng
GOLD ($/oz)	927.04	905.20	2.41	886.30	4.60
SILVER ($/oz)	18.23	16.97	7.40	16.88	7.98
ALUMINIUM ($/t)	3,001.00	2,995.00	0.20	2,995.00	0.20
COPPER ($/t)	8,180.00	8,315.00	(1.62)	8,575.00	(4.61)
CRUDE – BRENT ($/bbl)	131.90	125.06	5.47	115.89	13.81
CRUDE – WTI ($/bbl)	132.50	126.72	4.56	117.53	12.74

Tranportation

Commodities	26-May-08	Week Ago	% Chng	Month Ago	% Chng
World SCALE	205.00	210.00	(2.38)	160.00	28.13
BALTIC FREIGHT INDEX	11,465.00	11,709.00	(2.08)	9,329.00	22.90

Forex

FOREX	26-May-08	Week Ago	% Chng	Month Ago	% Chng
USD	42.75	42.55	0.47	40.15	6.49
GBP	84.75	82.92	2.20	79.71	6.32
EURO	67.41	66.00	2.14	62.74	7.44
YEN	41.39	40.79	1.47	38.44	7.67

Global Listings

Scrips	24-May-08	Week Chng	Month Chng	Premium/Discount	Share per ADR/GDR
Infosys ADR	43.12	(5.25)	5.54	0.80%	1
Wipro ADR	12.87	(4.10)	5.09	14.36%	1
ICICI Bank ADR	39.42	(11.40)	(5.74)	-2.26%	2
Satyam ADR	25.00	(5.09)	7.03	10.75%	2
HDFC Bank ADR	99.51	(8.92)	(4.89)	2.64%	3
MTNL ADR	4.87	(4.13)	(9.77)	2.06%	2
Dr. Reddy ADR	16.01	5.33	(2.75)	-0.34%	1
Reliance GDR	119.75	(5.15)	(5.08)	0.14%	2
ITC GDR	4.95	(13.16)	10.04	-0.93%	1
Ranbaxy GDR	11.50	(4.01)	(0.08)	-1.06%	1
L & T GDR	66.60	(8.14)	(4.86)	0.11%	1

Top Gainers & Losers of the Week

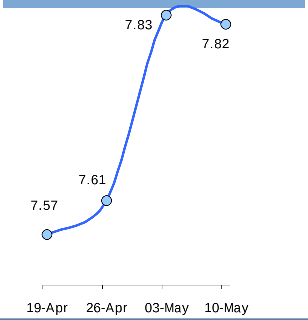
Top Gainers	May 26, 08	% Chng
Nepc Micon Ltd	19.45	27.54
Graphite India Ltd.	76.40	21.66
Tamilnadu Petroproducts Ltd.	22.45	16.93
Agro Dutch Industries Ltd.	33.40	13.41
PSL Ltd.	390.70	11.95
Harrisons Malayalam Ltd.	117.40	11.92
Videocon Industries Ltd.	386.00	9.69
Tata Elxsi Ltd.	203.40	9.47

Top Losers		
L.G. Balakrishnan & Bros Ltd.	19.85	(30.11)
Tech Mahindra Ltd.	829.30	(13.32)
Jaiprakash Associates Ltd.	237.40	(12.30)
Matrix Laboratories Ltd.	175.85	(12.14)
Axis Bank Ltd.	799.45	(11.18)
Gujarat Narmada Valley Fertilisers Co. Ltd.	154.35	(11.14)
Hindustan Construction Co. Ltd.	121.35	(10.77)
Punjab National Bank	514.15	(10.09)

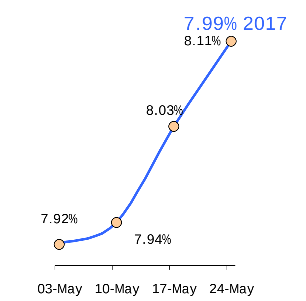
Sectoral Performance

Sectors	Week	Month	3 Months
Electrodes	5.00	4.09	(0.37)
Tea And Coffee	2.88	11.61	31.01
Textile Machinery	1.73	(1.01)	(11.35)
Consumer Durables	1.52	3.03	(11.93)
Electrical Equipment	1.48	(3.95)	(13.96)
Oil Exploration/Production	1.34	(4.01)	6.20
Paper And Paper Products	1.13	(4.66)	(6.93)
Diesel Engines	1.11	(5.18)	(13.31)
Fastners	0.93	(7.94)	(13.58)
Shipping	0.84	19.79	23.05
Leather And Leather Products	0.80	(3.05)	0.38
Compressors / Pumps	0.10	(6.09)	(10.97)
Petrochemicals	(0.35)	4.95	0.86
Textiles - Cotton	(0.40)	(2.87)	(0.59)
Food And Food Processing	(0.42)	(0.06)	(4.53)
Paints	(0.47)	(2.47)	1.90
Chemicals - Organic	(0.48)	(1.70)	(5.61)
Brew/Distilleries	(0.51)	(0.86)	(4.35)
Transmission Towers	(0.59)	(8.90)	(24.53)
Media & Entertainment	(0.65)	(0.17)	(12.61)

Inflation (%)



10 year G-Sec Bond Yield



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