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**NHPC LTD.**

BSE Code: 533098 NSE Code: NHPC Reuters Code: NHPC.NS Bloomberg Code: NHPC:IN

NHPC Ltd, mini ratna company engaged in hydro power generating business was incorporated in 1975 with present (Dec'12) authorised capital of ₹150.0 billion. The firm has benchmarked its presence across 8 states – J&K, W.B, M.P, H.P, A.P, Manipur, Sikkim & Uttarakhand. Further, with an investment base of over ₹387.18 billion approx., NHPC is among the top ten companies in the country in terms of investment. Currently, NHPC operates 14 hydropower stations with a total aggregate capacity of 5,295 megawatt and is engaged in the construction of 9 projects aggregating to a total installed capacity of 4,271 MW.

### Investor's Rationale

#### Lower other income dragged the net profit growth by 18.9% YoY

Despite of a significant rise in other income by 32.7% YoY to ₹2.4 billion, NHPC witnessed a dismal performance in its standalone net profit, down by 18.9% YoY to ₹7.8 billion YoY on account of lower total operating income which stood at ₹17.7 billion, reflecting a drop of 10.6% YoY. The major decline in EBITDA margin has further impacted the bottom line. Simultaneously, the depreciation and interest charges rose by 13.3% and 20.6% YoY to ₹2.5 billion and ₹1.1 billion respectively. However, the net profit grew notably by 16.9% QoQ, helped by strong topline growth. Finally, NPM contracted by 577bps YoY to 38.9% as against 44.7%.

#### Projects delay impacted the top line by 10.6% YoY

State-owned hydropower major's top line stood at ₹17.7 billion, signaling a drop of 10.6% YoY due to a delay in major construction work on Kishenganga dam. Further, company's 2 projects namely Chutak and Nimo Bazgo ready for commissioning but need to demonstrate full load, which is partly impacted due to transmission line delays. However, company's ongoing ten hydroelectric projects with an installed capacity of 4,502 MW are in advanced stages of completion and are likely to be commissioned in the year 2012-13, raising a good hope for improved turnover. Besides, the revenue jumped highly by 24.4% on QoQ basis, buoyed by higher tariffs and the withdrawal of a water cess levied earlier by Jammu & Kashmir.

#### EBITDA margin weekend by 349bps YoY

The EBITDA of the company fell to 14.9% YoY to ₹12.0 billion, consequently, OPM plunged by 349bps to 67.9% as against 71.4%, reflecting a surge in other expenses and employee expense by 8.7% and 6.4% to ₹3.5 billion and ₹2.5 billion respectively.

#### Commenced Chamera-III Hydroelectric Project

During the quarter, NHPC puts all its 3 units of its 231 MW (77 MW x 3) Chamera-III Hydroelectric Project in Himachal Pradesh on commercial operation. With the commissioning of the project, the installed capacity of NHPC has gone up to 5,526 MW.

### Market Data

CMP (₹)	25.7	
Target Price	32	
Stop Loss	22	
Duration	Short-term	
52-week High-Low (₹)	26.1/14.7	
Rise from 52WL (%)	74.8	
Correction from 52WH (%)	1.5	
Beta	0.4	
1 year Average Volume (mn)	5.9	
	3M	20.9
Stock Return (%)	6M-	38.2
	9M-	28.5
Market Cap (₹bn)	315.5	
Book value per share	21.4	

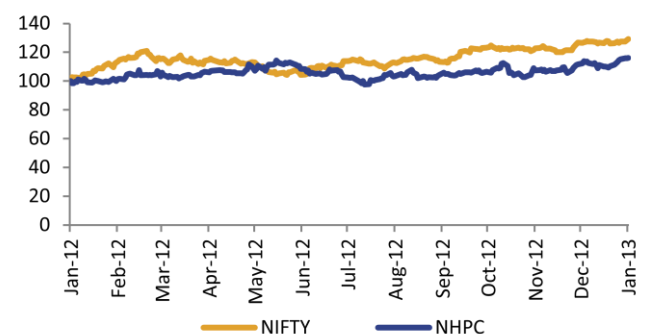
### Shareholding Pattern

	Sep'12	Jun'12	Chg
Promoters (%)	86.3	86.3	-
FII (%)	1.3	1.3	-
DII (%)	3.2	3.2	-
Public & Others (%)	9.0	9.0	-

### Quarterly Performance(Standalone)

(₹bn)	Q2 FY'13	Q2 FY'12	Q1 FY'13	YoY Change(%)	QoQ Change(%)
Revenue	17.7	19.8	14.2	(10.6)	24.4
Op. exp	5.7	5.7	5.2	0.4	9.9
EBITDA	12.0	14.1	9.1	(14.9)	32.8
OPM (%)	67.9	71.4	63.6	(349bps)	426bps
Net profit	7.8	9.7	6.7	(18.9)	16.9
NPM (%)	38.9	44.7	40.2	(577bps)	(127bps)
EPS (₹)	0.6	0.8	0.5	(19.0)	18.5

### One Year Price Chart





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