

BUY

TP: Rs 290 | ▲ 23%

NTPC

| Power

| 28 October 2023

No surprises; maintain BUY

- Q2 a normal quarter with a flat topline of Rs 409bn and healthy PAT of Rs 39bn
- Key positives for NTPC include aggressive renewable targets, improving coal production, comfortable leverage and access to low-cost funds
- Remains our top pick in the power sector; maintain BUY with an unchanged TP of Rs 290

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In-line quarter: NTPC reported a flattish topline of Rs 409bn and 17% YoY growth in PAT to Rs 38.9bn in Q2FY24. Thermal PLF stood at 75% as compared to 74% in Q2FY23, with the company closing H1FY24 at 76.6% which is well above the national average of 68.8%. Average tariff in H1 was Rs 4.61/Kwh and NTPC's regulated equity at end-H1 was Rs 815bn on standalone and Rs 950bn on consolidated basis. The company had a fixed cost under-recovery of Rs 3.8bn at the end of H1FY24 and expects this to normalise to Rs 2bn by FY24-end.

Aggressive on renewables: NTPC added 110MW of renewable capacity in H1FY24 and its installed generation capacity now stands at 73.8GW, of which renewable and hydro power account for 3.4GW and 3.7GW respectively. The company plans to commission 20GW of renewable capacity by FY27 and an additional 40GW by FY32. In terms of coal capacity, it plans to add 11.2GW, for which awarding is expected to conclude by H1FY26. For FY24, capex is targeted at Rs 284bn and Rs 225bn on consolidated and standalone basis respectively, of which ~47% has been completed in the first half. Additionally, the company has identified 14GW of pumped hydro capacity to be commissioned over 6-9 years.

Mining operations improving: NTPC consumed 113mn tonnes of coal in H1FY24. For the full year, it is targeting coal production of 34mtpa (vs. 23mtpa in FY23), of which 12mtpa was produced in H1FY24. The company has a longer-term target to ramp up production to 70mtpa as it aims to lower reliance on external coal procurement. Management has also indicated mining of ores other than coal, such as lithium, through its mining subsidiary.

Maintain BUY, TP Rs 290: NTPC is among the key players powering India's economy given its robust thermal portfolio. Considering a thrust on renewables and simultaneous enhancement of thermal capacity, we believe the company is well positioned in the power generation space. We continue to value the core business at 1.6x Sep'25E BV – ~15% premium to the pre-Covid multiple – and maintain BUY for an SOTP-based TP of Rs 290.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	NTPC IN/Rs 237
Market cap	US\$ 27.9bn
Free float	49%
3M ADV	US\$ 45.6mn
52wk high/low	Rs 252/Rs 162
Promoter/FPI/DII	51%/16%/33%

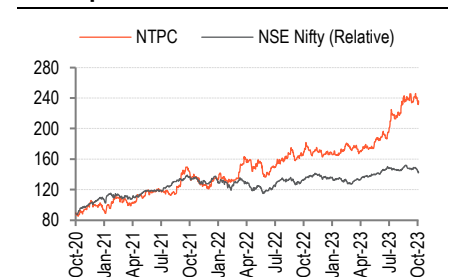
Source: NSE | Price as of 27 Oct 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	16,37,698	16,76,100	18,40,000
EBITDA (Rs mn)	4,32,284	4,41,681	4,85,347
Adj. net profit (Rs mn)	1,71,967	1,89,248	2,17,829
Adj. EPS (Rs)	17.7	19.5	22.5
Consensus EPS (Rs)	17.7	19.5	21.8
Adj. ROAE (%)	12.9	13.2	14.2
Adj. P/E (x)	13.3	12.1	10.5
EV/EBITDA (x)	9.3	9.3	8.5
Adj. EPS growth (%)	5.6	10.0	15.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

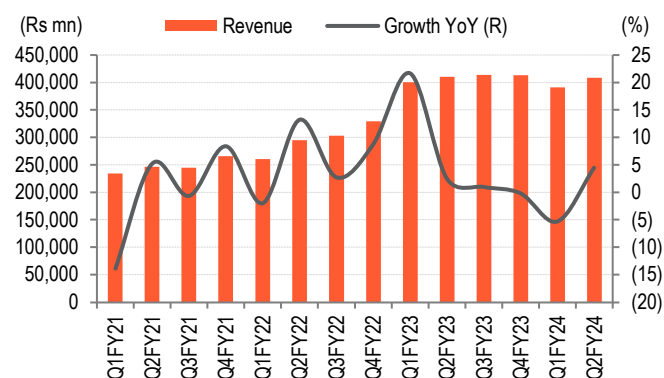


Fig 1 – Quarterly performance

Particulars (Rs mn)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	H1FY24	H1FY23	YoY (%)
Revenue	4,08,753	4,10,151	(0.3)	3,91,223	4.5	7,99,975.7	8,10,413.9	(1.3)
EBITDA	1,05,375	95,216	10.7	1,13,694	(7.3)	2,19,068.7	1,92,665.3	13.7
EBITDA Margin (%)	25.8	23.2	260bps	29.1	(330bps)	27.4	23.8	360bps
Depreciation	34,642	32,872		32,603		67,245.2	64,313.0	
Interest	24,647	27,371		25,149		49,796.6	49,099.7	
Other Income	6,426	7,958		5,584		12,009.9	14,952.4	
PBT	52,511	42,932	22.3	61,526	(14.7)	1,14,036.8	94,205.0	21.1
Tax	14,415	17,741		16,541		30,955.7	31,545.1	
Adjusted PAT	38,850	33,312	16.6	40,660	(4.5)	79,510.5	70,481.6	12.8
Exceptional item								
Reported PAT	38,850	33,312	16.6	40,660	(4.5)	79,510.5	70,481.6	12.8
Adj. PAT Margin (%)	9.5	8.1	140bps	10.4	(90bps)	9.9	8.7	120bps
EPS (Rs)	3.9	3.4	14.4	4.6	(15.3)	8.6	7.3	17.9

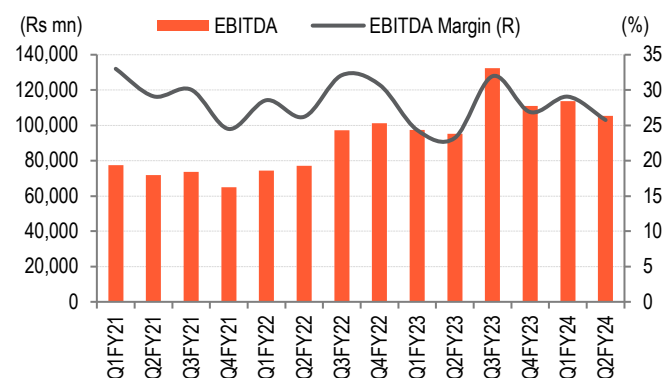
Source: Company, BOBCAPS Research

Fig 2 – Revenue growth



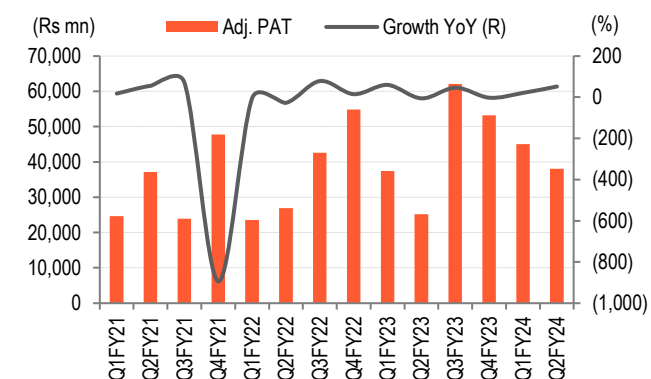
Source: Company, BOBCAPS Research

Fig 3 – EBITDA growth



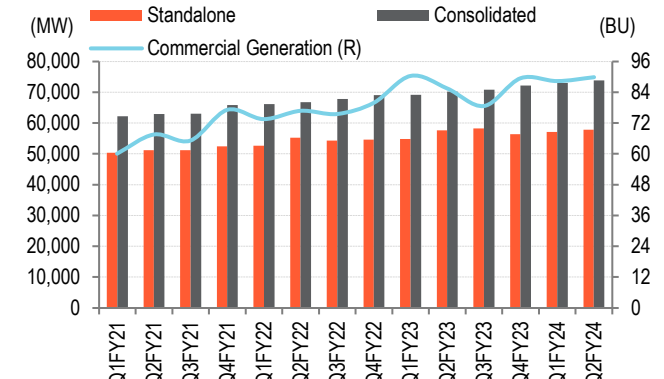
Source: Company, BOBCAPS Research

Fig 4 – Profit growth



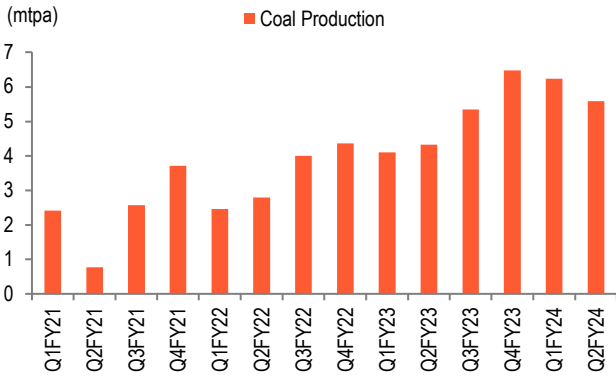
Source: Company, BOBCAPS Research

Fig 5 – Installed capacity and generation performance



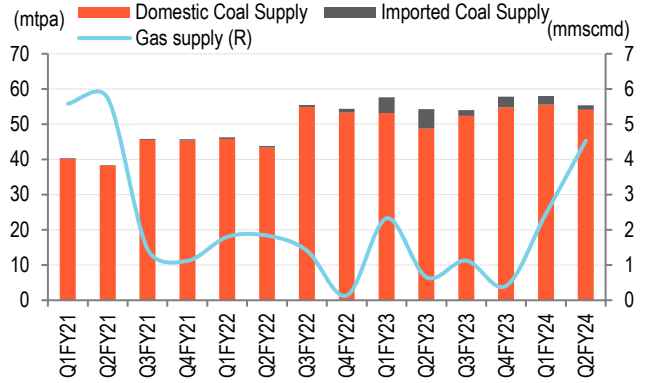
Source: Company, BOBCAPS Research

Fig 6 – Coal mining trend



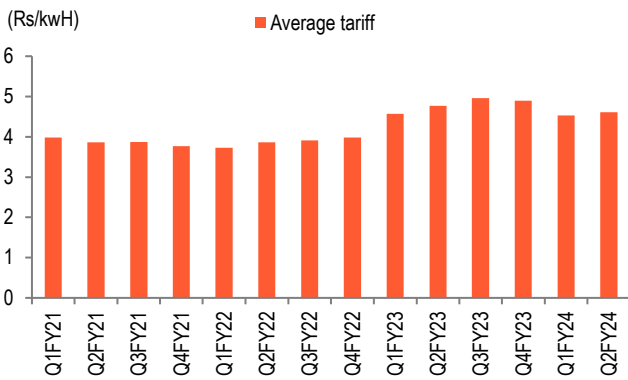
Source: Company, BOBCAPS Research

Fig 7 – Input fuel consumption



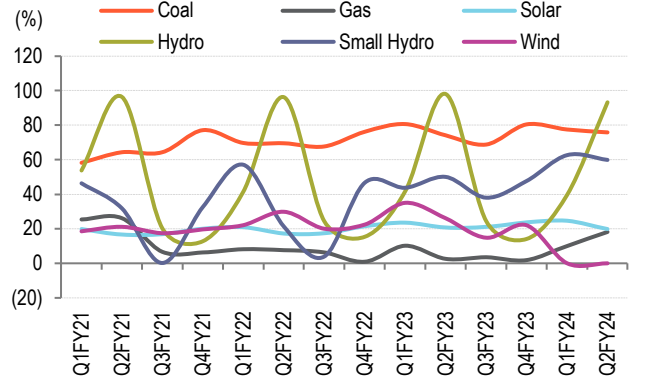
Source: Company, BOBCAPS Research

Fig 8 – Average tariff realised



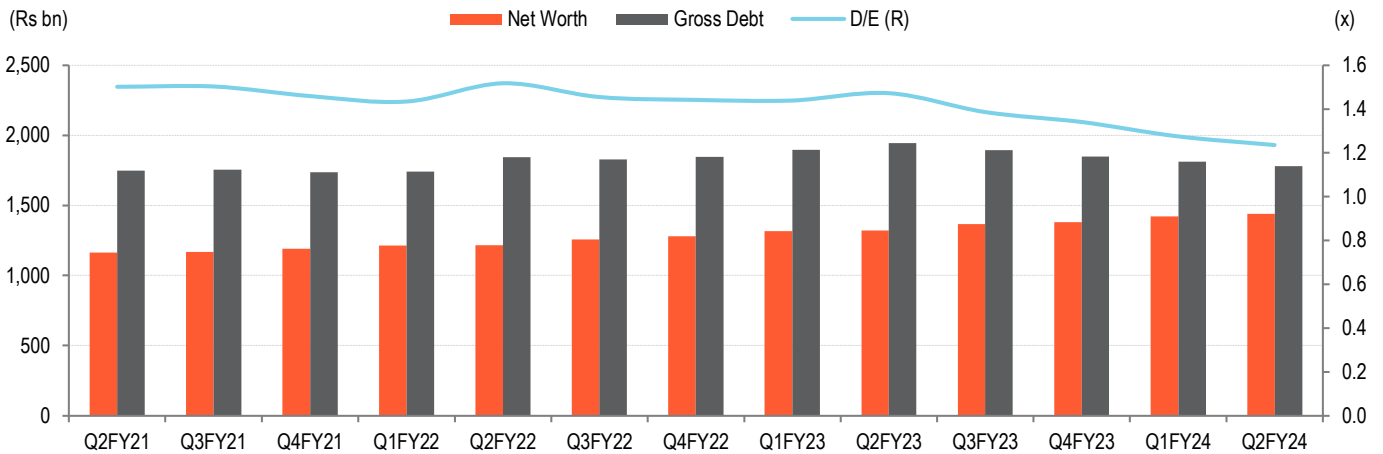
Source: Company, BOBCAPS Research

Fig 9 – Operational performance: PLF



Source: Company, BOBCAPS Research

Fig 10 – Capital employed



Source: Company, BOBCAPS Research

Valuation methodology

NTPC is among the key players powering India's economy by dint of a robust thermal portfolio. The company's aggressive venture into renewables positions it as a strong play on green energy, and the concurrent addition of thermal capacity to tide over renewable intermittency will help it cover all bases.

We maintain our FY24/FY25 estimates and introduce FY26 forecasts. We continue to value the core business at 1.6x Sep'25E BV – a 45% premium to the historical average (15% if we adjust for Covid and ESG-related rerating) – and retain BUY with an unchanged SOTP-based TP of Rs 290.

Fig 11 – Key assumptions

Particulars	FY23	FY24E	FY25E	FY26E
Sales (Rs mn)	16,37,698	16,76,100	18,40,000	20,21,000
EBITDA (Rs mn)	4,32,284	4,41,681	4,85,347	5,34,315
PAT (Rs mn)	1,77,878	1,57,983	1,77,200	1,97,363
EPS (Rs)	17.7	16.3	18.3	20.4
EBITDA Margin (%)	26.4	26.4	26.4	26.4
Generation (BU)	344	370	400	430
Average Tariff (Rs/kWh)	4.9	4.5	4.6	4.7
Installed Capacity (standalone) (MW)	56,368	59,948	61,868	61,868
Installed Capacity (consolidated) (MW)	72,254	77,714	82,581	87,200
Capex (standalone) (Rs mn)	2,45,970	2,50,000	2,70,000	3,30,000
Capex (consolidated) (Rs mn)	2,65,620	2,71,000	3,87,000	4,90,000

Source: Company, BOBCAPS Research

Fig 12 – SOTP valuation summary

Particulars (Rs mn)	Equity Value	Stake (%)	P/B (x)	Est. Market Cap	Value per share (Rs)
Regulated business	12,52,411	100	1.6	20,03,857	208
NEEPCO (subsidiary)	65,893	100	1.2	79,072	8
THDC (subsidiary)	1,04,276	74	1.5	1,16,523	12
Patratu Coal mine	23,456	74	0.7	12,150	1
BRBCL (subsidiary)	28,780	74	1.0	21,297	2
Meja (subsidiary)	17,072	50	0.8	6,829	1
APCL (subsidiary)	24,479	50	1.8	22,031	2
NTECL (subsidiary)	18,989	50	1.2	11,394	1
NTPC-SAIL (subsidiary)	14,391	50	1.5	10,793	1
Maitree Plant	10,506	50	1.0	5,253	1
NGEL (subsidiary)	3,00,000	100	1.5	4,50,000	46
HURL (subsidiary)	22,699	30	1.0	6,735	1
Jhabua Plant	20,212	50	1.0	10,106	1
NVVN (subsidiary)	7,190	100		7,190	1
Add: Cash and equivalents				37,417	4
Total					290

Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- increase in fixed cost under-recoveries due to inadequate coal supply,
- delays commissioning solar projects, leading to underachievement of renewable targets,
- delays bringing thermal capacity additions onstream, and
- delays commissioning pumped storage projects, leading to lower round-the-clock (RTC) power.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
CESC	CESC IN	1.4	85	108	BUY
NTPC	NTPC IN	27.9	237	290	BUY
Power Grid Corp	PWGR IN	22.7	201	250	BUY
Tata Power	TPWR IN	9.3	238	271	BUY
Torrent Power	TPW IN	4.2	720	800	HOLD

Source: BOBCAPS Research, NSE | Price as of 27 Oct 2023

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Total revenue	12,11,746	16,37,698	16,76,100	18,40,000	20,21,000
EBITDA	3,60,250	4,32,284	4,41,681	4,85,347	5,34,315
Depreciation	1,20,582	1,31,367	1,40,949	1,45,364	1,53,777
EBIT	2,39,668	3,00,917	3,00,731	3,39,983	3,80,538
Net interest inc./(exp.)	82,165	99,792	91,902	97,396	1,04,765
Other inc./(exp.)	35,751	39,546	43,501	47,851	52,636
Exceptional items	0	0	0	0	0
EBT	1,93,253	2,40,671	2,52,330	2,90,439	3,28,410
Income taxes	44,578	62,793	63,083	72,610	82,102
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	14,144	(5,911)	0	0	0
Reported net profit	1,62,820	1,71,967	1,89,248	2,17,829	2,46,307
Adjustments	0	0	0	0	0
Adjusted net profit	1,62,820	1,71,967	1,89,248	2,17,829	2,46,307

Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Accounts payables	98,190	1,20,939	1,23,985	1,36,110	1,49,499
Other current liabilities	2,29,571	2,07,730	2,75,384	3,11,307	3,50,979
Provisions	86,178	91,980	91,980	91,980	91,980
Debt funds	18,55,777	18,59,839	18,38,039	19,47,915	20,95,303
Other liabilities	1,35,280	1,28,318	1,31,327	1,44,169	1,58,351
Equity capital	96,967	96,967	96,967	96,967	96,967
Reserves & surplus	11,89,709	12,91,932	13,86,556	14,95,471	16,18,624
Shareholders' fund	12,86,675	13,88,899	14,83,523	15,92,437	17,15,591
Total liab. and equities	37,11,404	38,23,873	39,70,407	42,50,087	45,87,871
Cash and cash eq.	27,472	37,417	22,004	33,725	38,924
Accounts receivables	2,47,475	2,47,415	2,75,523	3,02,466	3,32,219
Inventories	96,910	1,36,798	1,37,762	1,52,464	1,66,786
Other current assets	1,40,148	2,23,124	2,28,356	2,50,686	2,75,346
Investments	2,31,469	2,91,387	2,91,387	2,91,387	2,91,387
Net fixed assets	19,50,841	19,64,417	20,73,468	21,98,104	23,74,327
CWIP	7,35,191	6,17,439	6,31,917	6,93,710	7,61,950
Intangible assets	5,849	9,643	9,643	9,643	9,643
Deferred tax assets, net	0	0	0	0	0
Other assets	1,47,641	1,75,409	1,79,522	1,97,077	2,16,463
Total assets	37,11,404	38,23,873	39,70,407	42,50,087	45,87,871

Cash Flows

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash flow from operations	3,78,982	3,53,986	3,66,594	3,47,265	3,84,409
Capital expenditures	(1,91,751)	(1,72,235)	(2,50,000)	(2,70,000)	(3,30,000)
Change in investments	(8,963)	(66,310)	0	0	0
Other investing cash flows	19,913	97,918	(15,583)	(66,506)	(73,445)
Cash flow from investing	(1,80,801)	(1,40,628)	(2,65,583)	(3,36,506)	(4,03,445)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(1,29,443)	(1,44,201)	(21,800)	1,09,876	1,47,388
Interest expenses	(82,165)	(99,792)	(91,902)	(97,396)	(1,04,765)
Dividends paid	(69,331)	(70,301)	(94,624)	(1,08,915)	(1,23,154)
Other financing cash flows	82,165	99,792	91,902	97,396	1,04,765
Cash flow from financing	(1,98,774)	(2,14,502)	(1,16,424)	961	24,235
Chg in cash & cash eq.	(592)	(1,144)	(15,413)	11,720	5,199
Closing cash & cash eq.	27,472	37,417	22,004	33,725	38,924

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24E	FY25E	FY26E
Reported EPS	16.8	17.7	19.5	22.5	25.4
Adjusted EPS	16.8	17.7	19.5	22.5	25.4
Dividend per share	7.2	7.3	9.8	11.2	12.7
Book value per share	132.7	143.2	153.0	164.2	176.9

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24E	FY25E	FY26E
EV/Sales	3.2	2.5	2.5	2.2	2.1
EV/EBITDA	10.8	9.3	9.3	8.5	7.8
Adjusted P/E	14.1	13.3	12.1	10.5	9.3
P/BV	1.8	1.7	1.5	1.4	1.3

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24E	FY25E	FY26E
Tax burden (Net profit/PBT)	84.3	71.5	75.0	75.0	75.0
Interest burden (PBT/EBIT)	80.6	80.0	83.9	85.4	86.3
EBIT margin (EBIT/Revenue)	19.8	18.4	17.9	18.5	18.8
Asset turnover (Rev./Avg TA)	33.9	43.5	43.0	44.8	45.7
Leverage (Avg TA/Avg Equity)	2.9	2.8	2.7	2.7	2.7
Adjusted ROAE	13.1	12.9	13.2	14.2	14.9

Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24E	FY25E	FY26E
YoY growth (%)					
Revenue	22.1	35.2	2.3	9.8	9.8
EBITDA	25.1	20.0	2.2	9.9	10.1
Adjusted EPS	7.6	5.6	10.0	15.1	13.1
Profitability & Return ratios (%)					
EBITDA margin	29.7	26.4	26.4	26.4	26.4
EBIT margin	19.8	18.4	17.9	18.5	18.8
Adjusted profit margin	13.4	10.5	11.3	11.8	12.2
Adjusted ROAE	13.1	12.9	13.2	14.2	14.9
ROCE	10.2	9.9	9.8	10.6	11.2
Working capital days (days)					
Receivables	75	55	60	60	60
Inventory	29	30	30	30	30
Payables	30	27	27	27	27
Ratios (x)					
Gross asset turnover	0.5	0.6	0.6	0.6	0.6
Current ratio	0.8	0.9	0.8	0.9	0.9
Net interest coverage ratio	3.4	3.4	3.7	4.0	4.1
Adjusted debt/equity	1.4	1.3	1.2	1.2	1.2

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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BUY – Expected return >+15%

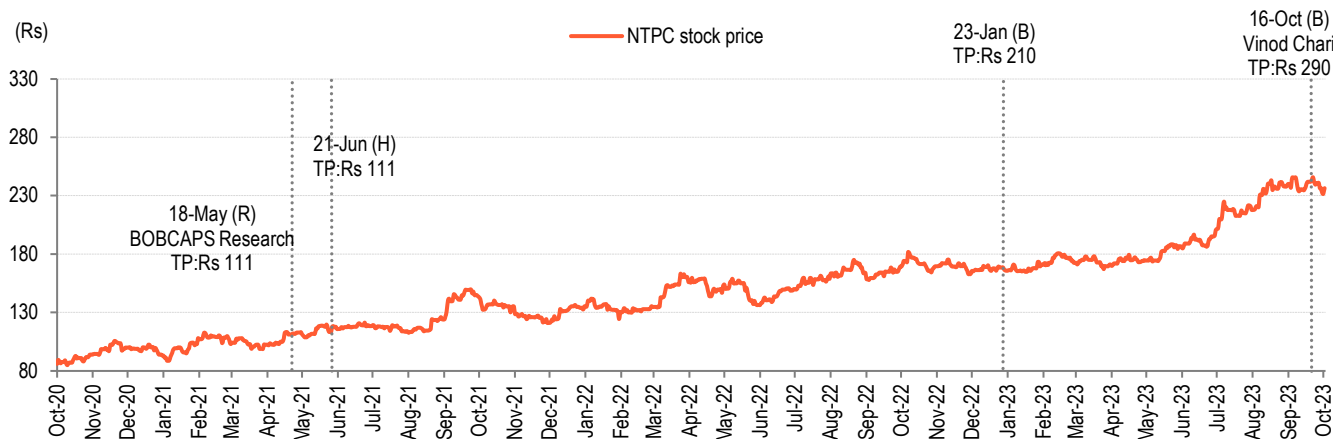
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): NTPC (NTPC IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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