

Strong Capacity addition to continue...

About the stock: NTPC is India's largest power generation company with a total installed capacity of ~73847 MW at the group level as of 9MFY23. NTPC has 17% of total installed capacity in India with 24% generation share.

The company's vision is to become a 130 GW+ company by 2032 of which 60 GW would be contributed by renewable energy

Q3FY24 Performance: NTPC reported decent set of Q3FY24 results. From an operational point of view gross generation and energy sold grew by 10.8% and 11% YoY whereas the PLF of coal stations improved by 710 bps YoY to 76% in the quarter. The installed and commercial capacity as of Q3FY24 stood at 73847 MW and 57849 MW respectively. The consolidated revenues for the quarter stood at ₹ 42820 crore vs. ₹ 44601 crore in Q3FY23. The PAT grew by 7% YoY to ₹ 5208 crore. The company also declared a second interim dividend of ₹ 2.25 per share.

Investment Thesis: Remains broadly intact

- Thermal business to scale up till FY30: NTPC has been the only company which has added coal-based capacities over last 5 years and reached an installed base of 73000 MW on a consolidated basis. Going ahead, NTPC is having 9300 MW of coal-based plants under construction which will be commissioned by FY25-26. This we believe will lead to 11% generation growth supported by strong PLF's (averaging above national level PLF's) on thermal business and will help regulated equity growth at a CAGR of 9% from ₹ 77,628 crore in FY23 to ₹ 99,000 crore by FY26E.
- Aggressive focus on renewable at centrestage : With an aggressive approach to expanding renewable energy, including green hydrogen, it aims for nearly 45-50% of its capacity to come from non-fossil fuels by 2030, with the medium-term target of 60 GW of renewable capacity by 2032. Currently, the company has 3300 MW of installed renewable capacity and 5900 MW of projects under construction and ~11000 MW of projects in the pipeline. The management is fairly confident of reaching 20000 MW of renewable capacity by FY26E. NTPC is also striving hard to diversify into areas like green hydrogen, Nuclear power (JV with NPCIL),

Rating and Target Price

- Aggressive renewable capacity addition plan to the tune of 16000 MW over FY24E-FY26E, will scale up the green portfolio of the company and lead to rerating of the stock. We value the stock at 2.2x P/BV of FY26E.



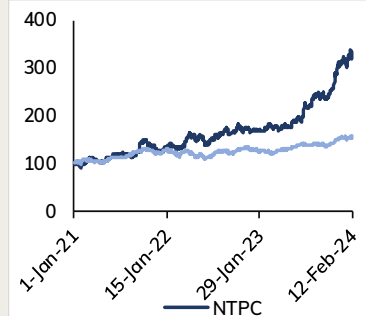
Particulars

Particular	Amount (₹ crore)
Market Cap	323190
Debt	222252
Cash	7838
EV	537604
52 Week H/L	341/166
Equity	9697
Face Value	10

Shareholding pattern

	Mar-23	Jun-23	Sep-23	Dec-23
Promote	51.1%	51.1%	51.1%	51.1%
FII	15.6%	15.8%	16.7%	17.1%
DII	30.5%	30.2%	29.0%	28.7%
Others	2.8%	2.9%	3.2%	3.1%

Price Chart



Key risks

- Key Risk: (i) Slower capacity addition in renewable projects
(ii) Slowdown in power demand

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Key Financial Summary

Key Financials	FY22	FY23	FY24E	5 year CAGR (FY18-23)	FY25E	FY26E	2 year CAGR (FY24E-26E)
Net Sales	97,700.4	163,769.8	179,606.7	8.9%	199,363.4	221,293.4	11.0%
EBITDA	27,092.7	43,228.4	50,458.8	11.8%	58,227.1	66,289.5	14.6%
EBITDA Margins (%)	27.7	26.4	28.1		29.2	30.0	
Net Profit	10,112.8	17,196.7	20,368.9	8.3%	24,094.8	27,907.7	17.1%
EPS (₹)	10.2	17.4	20.6		24.3	28.2	
P/E	32.3	19.0	16.0		13.6	11.7	
RoNW (%)	8.9	11.5	12.9		13.8	14.9	
RoCE (%)	5.3	9.1	10.7		11.6	12.9	

Key result and concall highlights

- The regulated equity as of 9MFY24 on a consolidated basis at ₹ 98700 crore while on the standalone basis same stood at ₹ 82094 crore.
- The cumulative capex on captive coal mines as of 9MFY24 stood at ₹ 10612 crore.
- The ACQ of coal for Q3FY24 stood at 95% vs. 98% in Q3FY24. The total coal production stood at 25.4 million tonnes vs. 14.5 million tonnes, up 74.5% YoY. The company has plans to produce 50 million tonne per year in 3 years time frame.
- The 9MFY24 coal PLF for NTPC stood at 76.4% vs. national average of 68.5%.
- The cost of debt as of Q3FY24 stood at 6.66% vs. 6.32% YoY whereas the company has forecasted a capex of ₹28373 crore for 9MFY23 on a consolidated basis while ₹ 21550 crore on a consolidated basis
- Currently, NTPC has 3360 MW of renewable capacity commissioned on the ground while another 7800 is under construction and other 8225 MW in under various stages of tendering process. In all, the company has tangible visibility of 22740 MW of renewable projects pipeline.
- In the thermal space, company will order out 10 GW of coal plants by FY25.
- In terms of capacity addition, the company will add 3580 MW in FY24 followed by 4000 MW and 2700 MW of thermal capacity in FY25E and FY26E, respectively.

Financial Summary

Exhibit 1: Profit and loss statement		₹ crore			
(Year-end March)	FY23	FY24E	FY25E	FY26E	
Total operating Incon	163,770	179,607	199,363	221,293	
Growth (%)	68	10	11	11	
Raw Material Expens	100,508	107,000	116,649	128,068	
Employee Expenses	5,559	6,226	6,973	7,671	
Other expenses	14,475	15,922	17,514	19,266	
Total Operating Expe	120,541	129,148	141,136	155,004	
EBITDA	43,228	50,459	58,227	66,289	
Growth (%)	92	34	36	35	
Depreciation	13,137	15,267	17,145	18,810	
Interest	9,979	12,034	13,955	15,269	
Other Income	3,955	4,000	5,000	5,000	
PBT	24,067	27,159	32,126	37,210	
Others	(591)	0	0	0	
Total Tax	6,279	6,790	8,032	9,303	
PAT	17,197	20,369	24,095	27,908	
Adjusted PAT	17,197	20,369	24,095	27,908	
Growth (%)	70	18	18	16	
EPS	17.4	20.6	24.3	28.2	

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement		₹ crore			
(Year-end March)	FY23	FY24E	FY25E	FY26E	
Profit Before Tax	17,197	20,369	24,095	27,908	
Add: Depreciation	13,137	15,267	17,145	18,810	
(Inc)/dec in Current Assc	(16,371)	(9,685)	(12,269)	(13,703)	
Inc/(dec) in CL and Prov	23,718	4,734	6,594	7,627	
Others	9,979	12,034	13,955	15,269	
CF from operating activ	32,965	52,620	60,871	68,063	
(Inc)/dec in Investments	2,246	30,739	8,500	(17,500)	
(Inc)/dec in Fixed Assets	(28,000)	(25,000)	(27,000)	(27,000)	
Others	0	1	2	3	
CF from investing activi	(25,754)	5,740	(18,498)	(44,497)	
Issue/(Buy back) of Equi	0	1	2	3	
Inc/(dec) in loan funds	29,164	44,015	36,706	16,819	
Dividend paid & divider	(8,902)	(9,189)	(10,338)	(9,907)	
Inc/(dec) in Sec. premiur	3	4	5	6	
Others	(9,979)	(12,034)	(13,955)	(15,269)	
CF from financing activi	10,286	22,797	12,419	(8,348)	
Net Cash flow	(16,301)	(2,867)	222	1,390	
Opening Cash	(4,855)	20,124	17,258	17,480	
Closing Cash	20,124	17,258	17,480	18,870	

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet		₹ crore			
(Year-end March)	FY23	FY24E	FY25E	FY26E	
Liabilities					
Equity Capital	9,895	9,895	9,895	9,895	
Reserve and Surplus	126,553	137,732	151,489	167,910	
Total Shareholders fu	136,447	147,627	161,384	177,805	
Total Debt	180,909	188,145	193,789	209,292	
AAD	1,947	1,947	1,947	1,947	
Minority Interest / Oth	1,152	1,152	1,152	1,152	
Total Liabilities	320,454	338,870	358,271	390,196	
Assets					
Gross Block	323,995	343,995	363,995	383,995	
Less: Acc Depreciatio	95,919	96,432	96,959	97,566	
Net Block	228,076	247,563	267,036	286,429	
Capital WIP	73,067	88,067	103,067	133,067	
Total Fixed Assets	301,143	335,629	370,103	419,496	
Investments	30,739	32,239	32,239	32,239	
Inventory	18,081	19,372	21,170	23,251	
Debtors	16,377	17,961	19,936	22,129	
Loans and Advances	40,942	44,902	49,841	55,323	
Other Current Assets	29,479	32,329	35,885	39,833	
Cash	20,124	17,258	17,480	18,870	
Total Current Assets	125,003	131,821	144,313	159,406	
Creditors	19,889	21,309	23,287	25,576	
Other Liabilities	46,408	49,722	54,337	59,677	
Provisions	7,466	7,466	7,466	7,466	
Total Current Liabiliti	73,764	78,498	85,091	92,718	
Net Current Assets	51,239	53,324	59,222	66,688	
Others Assets	0	1	2	3	
Application of Funds	320,454	338,870	358,271	390,196	

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios		₹ crore			
(Year-end March)	FY23	FY24E	FY25E	FY26E	
Per share data (Rs)					
EPS	17.4	20.6	24.3	28.2	
Cash EPS	30.7	36.0	41.7	47.2	
BV	137.9	149.2	163.1	179.7	
DPS	7.0	7.8	8.0	9.0	
Cash Per Share	20.3	17.4	17.6	19.0	
Operating Ratios (%)					
EBITDA Margin	26.4	28.1	29.2	30.0	
PBT / Total Operating ii	14.7	15.1	16.1	16.8	
PAT Margin	10.5	11.3	12.1	12.6	
Inventory days	65.7	66.1	66.2	66.3	
Debtor days	36.5	36.5	36.5	36.5	
Creditor days	10.1	10.1	10.1	10.1	
Return Ratios (%)					
RoE	11.5	12.9	13.8	14.9	
RoCE	9.1	10.7	11.6	12.9	
RoIC	8.7	10.4	11.1	12.0	
Valuation Ratios (x)					
P/E	19.0	16.0	13.6	11.7	
EV / EBITDA	11.3	9.9	8.6	7.8	
EV / Net Sales	3.0	2.8	2.5	2.3	
Market Cap / Sales	2.0	1.8	1.6	1.5	
Price to Book Value	2.4	2.2	2.0	1.8	
Solvency Ratios					
Debt/EBITDA	4.2	3.7	3.3	3.2	
Debt / Equity	1.3	1.3	1.2	1.2	
Current Ratio	1.9	1.9	1.9	1.9	
Quick Ratio	0.3	0.2	0.2	0.2	

Source: Company, ICICI Direct Research

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Sell: <-15%



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