

## Strong capacity addition to drive performance going ahead

**About the stock:** NTPC is India's largest power generation company with a total installed capacity of 69134 MW at the group level.

- 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

**Q1FY23 Results:** NTPC posted a good set of numbers for Q1FY23.

- Revenues came in at ₹ 38349.8 crore vs. our estimate of ₹ 33893 crore
- EBITDA was at ₹ 9082 crore vs. our estimate of ₹ 9251.4 crore, up 22.1% YoY
- Reported PAT was at ₹ 3676.4 crore led by higher tax and under recovery of fixed costs in two power stations

**What should investors do?** With strong focus on alternate energy spectrum, we believe NTPC may be able to break the underperformance of the last decade and may witness a rerating coupled with monetisation of the renewable energy arm in FY23E

- We maintain our **BUY** rating on the stock

**Target Price and Valuation:** We value NTPC at ₹ 190 i.e. 1.3x FY24E book value.

**Key triggers for future price performance:**

- NTPC has 2000 MW commercialised renewable capacity while ~4000 MW is under construction. It is expected to reach a capacity of 10 GW by 2026. The company expects to spend ~40% of total capex planned for FY23, FY24 on renewable projects

**Alternate Stock Idea:** Apart from NTPC, in our power coverage, we like IEX. Indian Energy Exchange (IEX) is the premier electricity exchange in India.

- We value IEX at ₹ 190 i.e. 40x P/E on FY24E EPS



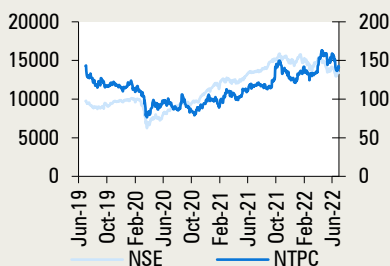
### Particulars

Particulars	Amount
Market Capitalisation	₹151752Crore
Debt (FY 22)	₹170500Crore
Cash (FY 22)	₹2438 Crore
EV	₹319814 Crore
52 week H/L	₹167/112
Equity capital	₹9696.7 Crore
Face value	₹10

### Shareholding pattern

	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	51.1%	51.1%	51.1%	51.1%
FII	13.5%	14.5%	14.7%	14.0%
DII	32.2%	31.1%	30.9%	31.5%
Others	3.2%	3.3%	3.2%	3.4%

### Price Chart



### Recent event & key risks

- Under construction capacity of 17 GW
- Key Risk:** (i) Muted economic recovery to keep blended PLFs lower ii) Delay in capacity addition in solar space may be a downside risk

### Research Analyst

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### Key Financial Summary

Key Financials	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Net Sales	97,700.4	99,206.7	1,16,137.3	8.9%	1,21,809.8	1,36,427.0	8.4%
EBITDA	27,092.7	28,803.4	33,845.7	11.8%	36,101.5	41,406.7	10.6%
EBITDA Margins (%)	27.7	29.0	29.1		29.6	30.4	
Net Profit	10,112.8	13,769.5	16,111.4	8.3%	17,605.0	19,775.3	10.8%
EPS (₹)	10.2	13.9	16.3		17.8	20.0	
P/E	15.3	11.2	9.6		8.8	7.8	
RoNW (%)	8.9	11.5	12.6		12.9	13.5	
RoCE (%)	4.8	5.8	5.4		5.5	6.3	

## Key takeaways of recent quarter & conference call highlights

### Q1FY23 Results: Strong capacity addition to drive performance, going ahead...

- Reported revenues came in at ₹ 38349.8 crore vs. estimate of ₹ 33893 crore. The key reason for the beat was higher than expected generation during Q1FY23 at 86.8 billion units vs. expectations of 85 billion units. On the other hand, energy sold was also higher than estimates at 81.2 BUs vs. 78.8 billion units. PLFs of coal plants were at 80.4% vs. 76.1% in Q4FY22. As of Q1FY23, the commercial capacity was at 54749 MW whereas installed capacity was at 54749 MW
- Coal production from captive mines was at 4.1 million tonnes (MT) vs. 4.36 MT in Q4FY22
- EBITDA came in at ₹ 9082 crore vs. our estimate of ₹ 9251.4 crore, mainly on account of higher-than-expected fuel costs. The fuel cost per unit during Q1FY23 was at ₹ 2.96/unit vs. ₹ 2.35/unit QoQ and our expectations of ₹ 2.4/Kwhr
- Reported PAT came in at ₹ 3676.4 crore vs. our estimate of ₹ 3976 crore, on account of higher tax outgo and lower regulatory adjustments came in at ₹ 129.2 crore (I-direct estimate of ₹ 115.5 crore) compared to ₹ 109.5 crore in Q4FY22 and ₹ 79.1 crore in Q1FY22. PAT was cushioned by other income of ₹ 8.9 crore. Tax rate for the quarter was at 26.6%

### Q1FY23 Analyst meet Highlights

- The company commercialised capacity to the tune of 4032 MW in FY22. The installed and commercial capacity as of Q1FY23 for NTPC was at 54769 MW. Going ahead, the company expects to add ~5806 MW in FY23E with cumulative addition of 15000 MW over FY23E-25E MW. In FY23E, the company plans to add 1526 MW of renewable projects. On an overall basis, the company has 16328 MW of projects under construction
- The company currently has ~2000 MW of renewable projects under operation. Projects worth ~4000 MW will come under construction while ~5400 MW worth of projects are near construction tendering stage
- The company has incurred a capex of ₹ 21035 crore and ₹ 34490 crore in standalone and consolidated basis, respectively. For FY23, the company expects to spend ₹ 23000 crore out of which NTPC has already incurred 33% of the capex till date
- NTPC produced 14.1 million tonnes of coal from its three coal mines vs. 11 MT in FY21. The company expects to ramp up production to 26 MT in FY23E. Production from coal mines is expected to reach 50 MT by FY27E. The company expects to commence operation of two more coal mines (Kerandari and Badam) in early FY24E
- The company is planning to bring down the CWIP ratio to 19% by FY25E from current 28% in FY22. This, in turn, will accelerate capitalising of assets and improve the return ratios of the company
- The regulated equity for Q1FY23 was at ₹ 70890 crore and ₹ 91054 crore on a standalone and consolidated basis, respectively. The company expects RE to grow in excess of 10%+ CAGR over the next three years
- As of now FGD systems have been commissioned in nearly 2000 MW of projects. The same is expected to get commissioned across all operational and under construction projects in next three years
- The company will incrementally put brownfield coal-based power plants of 6000 MW in next three to four years. NTPC has finalised plans to award 2X660 Talcher plant in the next month or two
- The management is of the view that equity IRR will be in range of 11-12% on solar assets
- On the green initiatives side, the company is focusing on many areas like a) green hydrogen projects, b) pilot projects for synthesising green methanol, c) entering into power distribution business (the company had put in a serious bid for Chandigarh circle wherein it was third in the bidding process), d) Nuclear power for which they are in discussion with all the required government entities

Exhibit 1: Variance Analysis

	Q1FY23	Q1FY23E	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	Comments
Energy sales net	38,349.8	33,893.0	26,038.5	47.3	32,905.0	16.5	Revenues were above estimates on account of higher than expected generation
Other operating income	0.0	0.0	0.0	-	0.0	-	
Total Income	38,349.8	33,893.0	26,038.5	47.3	32,905.0	16.5	
Fuel	25,707.3	20,472.7	14,919.8	72.3	18,767.6	37.0	
G&A	2,264.3	2,880.9	2,422.0	(6.5)	2,646.0	(14.4)	
Employee expense	1,295.8	1,287.9	1,257.8	3.0	1,370.9	(5.5)	
Total expenses	29,267.5	24,641.6	18,599.6	57.4	22,784.5	28.5	
EBITDA	9,082.3	9,251.4	7,438.9	22.1	10,120.6	(10.3)	EBITDA was on account of under recovery in fixed costs.
EBITDA Margin (%)	23.7	27.3	28.6	-489 bps	30.8	-707 bps	
Depreciation	2,911.4	3,000.0	2,675.4	8.8	2,945.9	(1.2)	
Interest	1,933.1	1,950.0	1,988.6	-2.8	1,912.2	1.1	
Other Income	853.0	800.0	763.7	11.7	1,225.0	(30.4)	
PBT	5,007.8	5,301.4	4,326.1	15.8	6,627.3	(24.4)	
Extraordinary expenses	326.2	326.2	326.2	NA	326.2	NA	5
Extraordinary Income	326.2	326.2	326.2	0.0	326.2	0.0	Related to prior period sales and tax benefit received during the quarter
Total Tax	1,331.4	1,325.3	1,180.5	12.8	1,005.4	32.4	
Adjusted PAT	3,676.4	3,976.0	3,145.6	16.9	5,621.9	(34.6)	PAT was lower on account of EBITDA miss and higher tax rate.
<b>Key Metrics</b>							
Generation (Cocre units)	8,683.3	8,500.0	7,174.8	21.0	7,992.4	8.6	Generation was better than industry average and our estimates
Sales (Cocre units)	8,120.5	7,888.0	6,661.2	21.9	7,392.7	9.8	
Tariff rate (₹/Kwh)	4.7	4.2	3.9	20.8	4.5	6.1	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Cocre)	FY23E			FY24E		
	Old	New	% Change	Old	New	% change
Revenue	1,21,809.8	1,21,809.8	0.0	1,36,427.0	1,36,427.0	0.0
EBITDA	35,197.1	35,197.1	0.0	41,406.7	41,406.7	0.0
EBITDA Margin	28.9	28.9	0 bps	30.4	30.4	0.0
PAT	15,928.2	15,928.2	0.0	19,775.3	19,775.3	0.0
EPS (₹)	16.1	16.1	0.0	20.0	20.0	0.0

Source: ICICI Direct Research

## Financial Summary

Exhibit 3: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Total operating Income	99,207	1,16,137	1,21,810	1,36,427
Growth (%)	2	17	5	12
Raw Material Expenses	55,881	67,614	70,191	78,614
Employee Expenses	4,942	5,290	5,660	6,056
Other expenses	9,580	9,388	9,858	10,350
Total Operating Expend	70,403	82,292	85,708	95,020
EBITDA	28,803	33,846	36,102	41,407
Growth (%)	10	24	10	23
Depreciation	10,412	11,234	12,790	14,325
Interest	7,459	7,351	8,527	9,550
Other Income	4,346	3,905	4,000	4,000
PBT	15,279	19,166	18,785	21,532
Others	416	1,312	3,500	3,500
Total Tax	1,925	4,366	4,680	5,257
PAT	13,770	16,111	17,605	19,775
Adjusted PAT	13,770	16,111	17,605	19,775
Growth (%)	36	17	9	12
EPS (₹)	13.9	16.3	17.8	20.0

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit Before Tax	13,770	16,111	17,605	19,775
Add: Depreciation	10,412	11,234	12,790	14,325
(Inc)/dec in Current Asset	13,104	-11,869	-2,231	-10,313
Inc/(dec) in CL and Provis	3,036	5,944	1,708	4,656
Others	7,459	7,351	8,527	9,550
CF from operating activities	15,500	40,621	39,444	49,307
(Inc)/dec in Investments	4,246	27,739	15,000	10,000
(Inc)/dec in Fixed Assets	-21,000	-20,000	-20,000	-20,000
Others	0	0	0	0
CF from investing activities	-16,754	7,739	-5,000	-10,000
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	54,164	29,015	11,706	16,819
Dividend paid & dividend t	-7,064	-8,041	-8,615	-9,764
Inc/(dec) in Sec. premium	3	3	3	3
Others	-7,459	-7,351	-8,527	-9,550
CF from financing activities	39,644	13,627	-5,433	-2,491
Net Cash flow	-6,522	-2,454	1,000	1,000
Opening Cash	10,145	3,624	1,170	2,170
Closing Cash	3,624	1,170	2,170	3,170

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
<b>Liabilities</b>				
Equity Capital	9,895	9,895	9,895	9,895
Reserve and Surplus	1,10,026	1,18,096	1,27,086	1,37,098
Total Shareholders fund	1,19,920	1,27,991	1,36,981	1,46,993
Total Debt	1,64,089	1,72,294	1,80,909	1,89,954
AAD	1,947	1,947	1,947	1,947
Minority Interest / Other	1,152	1,152	1,152	1,152
Total Liabilities	2,87,108	3,03,383	3,20,988	3,40,045
<b>Assets</b>				
Gross Block	2,78,995	2,98,995	3,18,995	3,38,995
Less: Acc Depreciation	90,897	95,919	95,919	96,432
Net Block	1,88,098	2,03,076	2,23,076	2,42,563
Capital WIP	63,067	58,067	53,067	48,067
Total Fixed Assets	2,51,164	2,61,143	2,76,143	2,90,629
Investments	12,293	12,293	12,293	12,293
Inventory	10,561	12,344	12,856	14,253
Debtors	12,897	14,517	13,399	15,007
Loans and Advances	29,762	34,841	36,543	40,928
Other Current Assets	19,841	23,227	24,362	27,285
Cash	3,624	1,170	2,170	3,170
Total Current Assets	76,684	86,099	89,330	1,00,643
Creditors	10,561	12,344	12,856	14,253
Other Liabilities	24,641	28,802	29,998	33,257
Provisions	7,466	7,466	7,466	7,466
Total Current Liabilities	42,668	48,612	50,320	54,976
Net Current Assets	34,016	37,487	39,009	45,667
Others Assets	0	0	0	1
Application of Funds	2,87,108	3,03,384	3,20,988	3,40,045

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
<b>Per share data (₹)</b>				
EPS	13.9	16.3	17.8	20.0
Cash EPS	24.4	27.6	30.7	34.5
BV	121.2	129.4	138.4	148.6
DPS	6.2	7.0	7.5	8.5
Cash Per Share	3.7	1.2	2.2	3.2
<b>Operating Ratios (%)</b>				
EBITDA Margin	29.0	29.1	29.6	30.4
PBT / Total Operating inco	15.4	16.5	15.4	15.8
PAT Margin	13.9	13.9	14.5	14.5
Inventory days	69.0	66.6	66.9	66.2
Debtor days	47.5	45.6	40.2	40.2
Creditor days	10.1	10.1	10.1	10.1
<b>Return Ratios (%)</b>				
RoE	11.5	12.6	12.9	13.5
RoCE	5.8	5.4	5.5	6.3
RoIC	5.9	5.5	5.6	6.4
<b>Valuation Ratios (x)</b>				
P/E	11.2	9.6	8.8	7.8
EV / EBITDA	10.9	9.6	9.2	8.2
EV / Net Sales	3.2	2.8	2.7	2.5
Market Cap / Sales	1.6	1.3	1.3	1.1
Price to Book Value	1.3	1.2	1.1	1.1
<b>Solvency Ratios</b>				
Debt/EBITDA	5.7	5.1	5.0	4.6
Debt / Equity	1.4	1.3	1.3	1.3
Current Ratio	2.2	2.1	2.1	2.1
Quick Ratio	0.1	0.0	0.1	0.1

Source: Company, ICICI Direct Research

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Buy: >15%

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Reduce: -15% to -5%;

Sell: <-15%



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