

One-off mars good operational show...

NTPC reported operationally decent Q4FY20 results. Despite lockdown impact in March 2020, the company posted better generation data vis-à-vis expectations. NTPC met its capacity addition target in FY20 and has aggressive additions plans in FY21-22E. Optically, PAT looks below estimates, which is on account of higher tax outgo on account of settlement of previous tax disputes to the tune of ₹ 2660 crore under the Vivad se Vishwas scheme.

Operational matrices strong for quarter...

NTPC reported higher-than-expected generation during Q4FY20 at 68.3 billion units vs. expectation of 65.6 billion units. On the other hand, energy sold was also higher than estimates at 63.5 BUs vs. 60.6 billion units. PLFs of coal plants were at 69.5% vs. 77.6% in Q4FY19. The under recovery substantially improved from ₹ 799 crore in FY19 to ₹ 249 crore. In FY20, captive mines produced coal to the tune of 9.6 million tonnes (MT). On the profitability front, provision of ₹ 2660 crore on account of settlement of income tax disputes led to a miss. Out of the above, NTPC cannot recover provisions to the tune of ₹ 830 crore via tariff pass through.

Capacity addition momentum to be strong in FY21E-22E

As of FY20, commercial capacity was at 49695 MW whereas installed capacity was at 50355 MW. In FY20, NTPC, on a consolidated basis, added capacity to the tune of 4680 MW. The company is confident of achieving minimum capacity addition of 4740 MW and maximum range of 5540 MW. In FY22, NTPC is striving to add capacity to the tune of 6880 MW.

Focus on adding renewable capacity from FY22E onwards

Current solar capacity is at 930 MW while projects to the tune to 2298 MW are under construction and 2064 MW are in various stages of tendering. The management aspires to add 4000-5000 MW of renewables capacity every year from FY22 onwards via a) UMREP routes, b) EPC mode wherein the land will be acquired by the contractor and c) developer route wherein NTPC will be responsible for buying and selling power of such capacity while it will owned by someone else.

Valuation & Outlook

Though thermal capacity addition is expected to see a significant decline post FY23-24, addition of renewable capacity is expected to gain momentum in the same period. We would still like to see the execution roadmap of the company in the renewable space. Valuations are 0.7x P/BV on FY22E. We would wait to turn buyers when some aggression is visible in renewable capacity addition.

Key Financial Summary

(₹ crore)	FY19	FY20	FY21E	FY22E	CAGR (FY20-22E)
Net Sales	90507	97700	97805	107477	5%
EBITDA	22971	27093	25932	28141	2%
Net Profit	10766	10113	12545	13077	14%
EPS (₹)	12.1	10.2	12.7	13.7	
PE (x)	8.0	9.5	7.7	7.1	
EV/EBITDA (x)	9.7	9.1	10.0	9.6	
P/BV (x)	0.9	0.8	0.8	0.7	
RoNW (%)	11.2	8.9	10.4	10.2	
RoCE (%)	5.8	4.8	5.7	5.3	

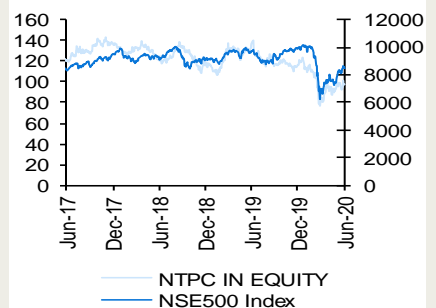
Source: Company, ICICI Direct Research



Particulars

Particulars	Amount
Market Capitalisation	₹96026 Crore
Debt (FY 20)	₹160558 Crore
Cash (FY 20)	₹4406 Crore
EV	₹252175 Crore
52 week H/L	₹146/72
Equity capital	₹9895 Crore
Face value	₹10
MF Holding (%)	17.1
FII Holding (%)	12.8

Price chart



Key Highlights

- Overall generation better in Q4FY20 at 68.3 billion units vs. estimates of 65.6 billion units
- Expects to add 4740 MW and 6880 MW on consolidated basis
- Maintain HOLD rating with revised target price of ₹ 105

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Exhibit 1: Variance analysis

	Q4FY20	Q4FY20E	Q4FY19	YoY (%)	Q3FY20	QoQ (%)	Comments
Energy sales net	27,246.9	22,440.7	21,222.4	28.4	23,496.4	16.0	Revenues higher on account of generation
Other operating income	0.0	0.0	0.0	-	0.0	-	
Total Income	23,496.4	23,496.4	23,496.4	0.0	23,496.4	0.0	
Fuel	15,818.1	12,785.8	12,700.3	24.5	13,060.3	21.1	
G&A	2,683.1	2,692.9	2,671.7	0.4	2,294.9	16.9	
Employee expense	1,427.9	1,234.2	1,206.1	18.4	1,164.8	22.6	
Total expenses	19,929.2	16,712.9	16,578.0	20.2	16,520.0	20.6	
EBITDA	7,317.7	5,727.8	4,644.4	57.6	6,976.4	4.9	
EBITDA Margin (%)	26.9	25.5	21.9	497 bps	29.7	-283 bps	
Depreciation	2,129.0	2,400.0	1,504.8	41.5	2,319.8	(8.2)	
Interest	1,836.9	1,800.0	925.7	98.4	1,760.8	4.3	
Other Income	1,031.9	1,000.0	1,323.2	(22.0)	526.8	95.9	
PBT	6,236.1	3,727.8	-2,838.8	(319.7)	5,020.7	24.2	
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	4,983.7	745.6	-7,189.1	(169.3)	2,025.1	146.1	
Adjusted PAT	1,252.4	2,982.2	4,350.3	(71.2)	2,995.6	(58.2)	PAT lower on account of one-off provisions of income tax

Key Metrics

Generation (Crore units)	6,827.0	6,556.8	6,919.6	(1.3)	6,121.0	11.5	Generation higher than estimates
Sales (Crore units)	6,346.4	6,065.1	6,411.9	(1.0)	5,628.7	12.8	
Tariff rate (₹/Kwh)	4.3	3.7	3.3	29.7	4.2	2.8	

Source: Company, ICICI Direct Research

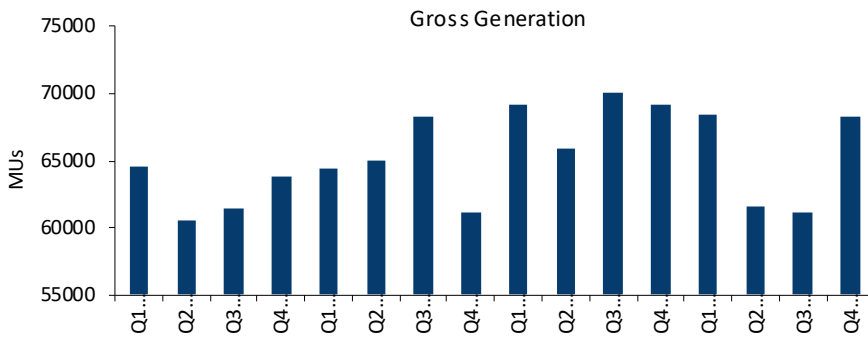
Exhibit 2: Change in estimates

(₹Crore)	FY21E			FY22E		
	Old	New	% Change	Old	New	% change
Revenue	99,140	97,805	(1.3)	-	107,477	-
EBITDA	25,606	25,932	1.3	-	28,141	-
EBITDA Margin (%)	25.8	26.5	69 bps	-	26.2	-
PAT	12,237	12,545	2.5	-	13,077	-
EPS (₹)	12.4	12.7	2.4	-	13.7	-

Source: Company, ICICI Direct Research

Key charts

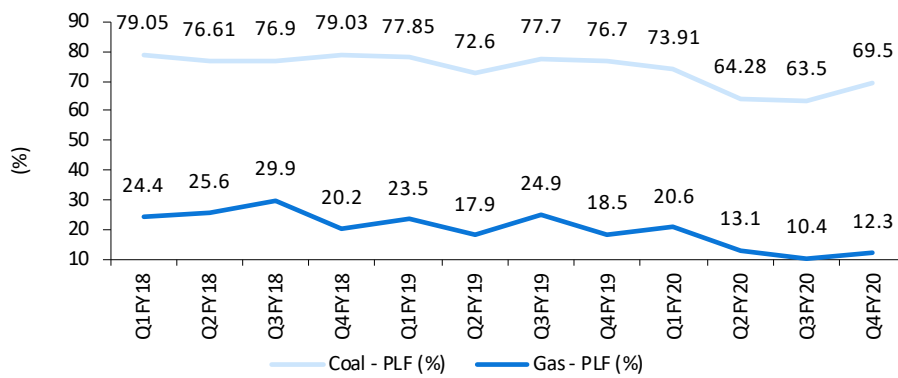
Exhibit 3: Trend in gross generations



Gross generation down 1.4% YoY at 68.3 billion units in Q4FY20.

Source: Company, ICICI Direct Research

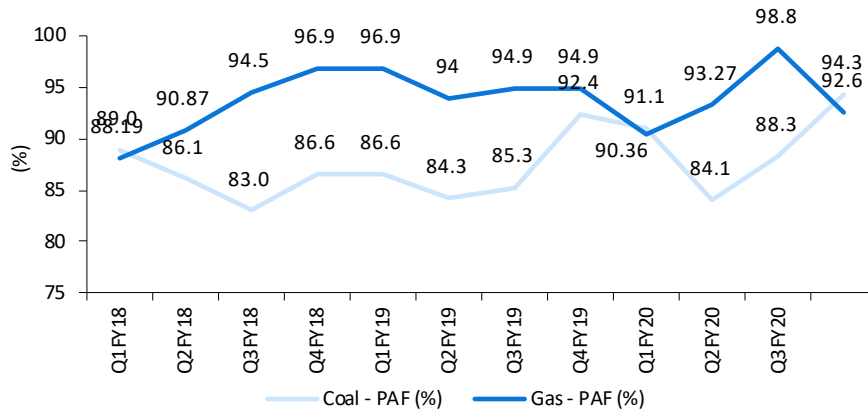
Exhibit 4: Trend in PLFs of coal and gas based stations



NTPC's PLF at 69.5% while that of gas based plants at 12.3%

Source: Company, ICICI Direct Research

Exhibit 5: Trend in plant availability factor (PAF)



Plant availability factor (PAF) for Q4FY20 at 94.3%

Source: Company, ICICI Direct Research

Financial summary

Exhibit 6: Profit and loss statement				
	₹ crore			
(Year-end March)	FY19	FY20E	FY21E	FY22E
Total operating Income	90,507	97,700	97,805	1,07,477
Growth (%)	8	8	0	10
Raw Material Expenses	55,207	57,018	57,246	63,591
Employee Expenses	4,780	4,926	5,270	5,639
Other expenses	7,549	8,664	9,357	10,105
Total Operating Expend	67,536	70,608	71,873	79,335
EBITDA	22,971	27,093	25,932	28,141
Growth (%)	7	25	-7	10
Depreciation	7,254	8,623	9,272	10,191
Interest	4,717	6,782	4,880	5,364
Other Income	1,872	2,778	2,100	2,100
PBT	12,873	14,466	13,879	14,686
Others	-3,841	4,829	2,000	2,000
Total Tax	-2,919	9,182	3,335	3,609
PAT	11,950	10,113	12,545	13,077
Adjusted PAT	10,766	10,113	12,545	13,077
Growth (%)	10	-6	24	4
EPS (₹)	12.1	10.2	12.7	13.7

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement				
	₹ crore			
(Year-end March)	FY19	FY20E	FY21E	FY22E
Profit Before Tax	11,950	10,113	12,545	13,577
Add: Depreciation	7,254	8,623	9,272	5,022
(Inc)/dec in Current Asset	-16,216	-17,884	13,893	-7,212
Inc/(dec) in CL and Provis	14,986	-2,297	3,771	3,731
Others	4,717	6,782	4,880	5,364
CF from operating activitie	22,690	45,698	9,033	27,444
(Inc)/dec in Investments	21,509	-10,503	4,246	27,739
(Inc)/dec in Fixed Assets	-25,000	-30,000	-21,000	-20,000
Others	0	0	0	0
CF from investing activitie	-3,491	-40,503	-16,754	7,739
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	20,041	40,053	54,164	33,543
Dividend paid & dividend t	-6,892	-3,733	-5,169	-5,743
Inc/(dec) in Sec. premium	1	2	3	3
Others	-4,717	-6,782	-4,880	-5,364
CF from financing activitie	8,433	29,540	44,118	22,439
Net Cash flow	-15,000	-15,000	-3,987	-3,000
Opening Cash	23,906	25,145	10,145	6,159
Closing Cash	8,906	10,145	6,159	3,159

*calculated, Source: Company, ICICI Direct Research

Exhibit 8: Balance sheet				
	₹ crore			
(Year-end March)	FY19	FY20E	FY21E	FY22E
Liabilities				
Equity Capital	9,895	9,895	9,895	9,895
Reserve and Surplus	96,941	1,03,320	1,10,696	1,18,530
Total Shareholders fund	1,06,835	1,13,215	1,20,591	1,28,425
Total Debt	1,35,074	1,60,588	1,68,617	1,77,048
AAD	1,947	1,947	1,947	1,947
Minority Interest / Other	1,152	1,152	1,152	1,152
Total Liabilities	2,45,008	2,76,902	2,92,307	3,08,572
Assets				
Gross Block	2,27,995	2,57,995	2,78,995	2,98,995
Less: Acc Depreciation	71,863	80,485	89,758	94,779
Net Block	1,56,132	1,77,509	1,89,237	2,04,215
Capital WIP	90,806	73,067	63,067	58,067
Total Fixed Assets	2,46,938	2,50,576	2,52,304	2,62,282
Investments	12,293	12,293	12,293	12,293
Inventory	7,988	10,732	10,781	11,900
Debtors	8,434	15,668	12,689	13,946
Loans and Advances	23,660	40,264	29,281	32,183
Other Current Assets	28,199	19,501	19,521	21,455
Cash	8,906	10,145	6,159	3,159
Total Current Assets	77,188	96,310	78,430	82,643
Creditors	10,350	9,650	10,781	11,900
Other Liabilities	24,150	22,516	25,156	27,767
Provisions	7,429	7,466	7,466	7,466
Total Current Liabilities	41,929	39,632	43,403	47,134
Net Current Assets	35,259	56,679	35,027	35,509
Others Assets	0	0	0	0
Application of Funds	2,45,008	2,76,902	2,92,307	3,08,572

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios				
	₹ crore			
(Year-end March)	FY19	FY20E	FY21E	FY22E
Per share data (₹)				
EPS	12.1	10.2	12.7	13.7
Cash EPS	19.4	18.9	22.0	23.5
BV	108.0	114.4	121.9	129.8
DPS	6.0	3.3	4.5	5.0
Cash Per Share	10.8	12.3	6.2	3.2
Operating Ratios (%)				
EBITDA Margin	25.4	27.7	26.5	26.2
PBT / Total Operating inco	14.2	14.8	14.2	13.7
PAT Margin	13.2	10.4	12.8	12.2
Inventory days	52.8	68.7	68.7	68.3
Debtor days	34.0	58.5	47.4	47.4
Creditor days	8.1	9.1	10.1	10.1
Return Ratios (%)				
RoE	11.2	8.9	10.4	10.2
RoCE	5.8	4.8	5.7	5.3
RoIC	6.0	5.0	5.8	5.4
Valuation Ratios (x)				
P/E	8.0	9.5	7.7	7.1
EV / EBITDA	9.7	9.1	10.0	9.6
EV / Net Sales	2.5	2.5	2.6	2.5
Market Cap / Sales	1.1	1.0	1.0	0.9
Price to Book Value	0.9	0.8	0.8	0.7
Solvency Ratios				
Debt/EBITDA	5.9	5.9	6.5	6.3
Debt / Equity	1.3	1.4	1.4	1.4
Current Ratio	2.2	3.0	2.2	2.1
Quick Ratio	0.3	0.3	0.2	0.1

Source: Company, ICICI Direct Research

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