

Good Q4FY23, sets aggressive renewable capacity addition targets over next three years...

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

Q4FY23 Results: NTPC posted a good set of numbers for Q4FY23.

- Gross generation and energy sold was at 89.7 billion units (BUs) and 77.8 BUs, which were higher than our estimates. Plant load factor (PLF) for Q4FY23 was at 80.3% vs. 68.9% in Q3FY23
- EBITDA came in at ₹ 11109.5 crore. Lower finance costs at ₹ 2581.7 crore also aided PAT along with strong operational performance. PAT came in at ₹ 5672.3 crore vs. our estimate of ₹ 5237 crore

What should investors do? The company has set out an aggressive renewable capacity addition plan to the tune of 16000 MW over FY24-26, which is expected to scale up the green portfolio of the company and lead to a rerating of the stock.

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

Target Price and Valuation: We value NTPC at ₹ 210 i.e. 1.3x FY25E book value.

Key triggers for future price performance:

- Per year addition of 4000-5000 MW of renewable capacity and strong growth in regulated equity in the conventional thermal portfolio

Alternate Stock Idea: Apart from NTPC, in our capital goods coverage, we like L&T. The company is best play on the capex theme in India with strong sectoral and geographical diversification coupled with strong visibility going ahead.

- We value L&T at ₹ 2650 on SoTP basis



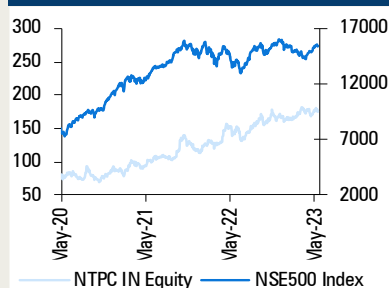
Particulars

Particulars	Amount
Market Capitalisation	₹ 167994 Crore
Debt (FY23)	₹ 180500 Crore
Cash (FY23)	₹ 6409 Crore
EV	₹ 342085 Crore
52 week H/L	₹ 182/112
Equity capital	₹ 9696.7 Crore
Face value	₹ 10

Shareholding pattern

	Jun-22	Sep-22	Dec-22	Mar-23
Promote	51.1%	51.1%	51.1%	51.1%
FII	14.0%	15.0%	15.7%	15.6%
DII	31.3%	31.3%	30.5%	30.5%
Others	3.6%	2.6%	2.7%	2.8%

Price Chart



Recent event & key risks

- Under construction capacity of 18 GW
- Key Risk:** (i) Muted economic recovery to keep blended PLFs lower ii) Delay in capacity addition in solar space

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Key Financial Summary

Key Financials	FY21	FY22	FY23	5 year CAGR (FY18-23)	FY24E	FY25E	2 year CAGR (FY23-25E)
Net Sales	97,700.4	1,21,174.6	1,63,769.8	8.9%	1,79,606.7	1,97,567.4	9.8%
EBITDA	27,092.7	36,016.0	43,228.4	11.8%	50,570.0	56,484.2	14.3%
EBITDA Margins (%)	27.7	29.7	26.4		28.2	28.6	
Net Profit	10,112.8	16,273.0	17,196.7	8.3%	20,906.5	24,528.8	19.4%
EPS (₹)	10.2	16.4	17.4		21.1	24.8	
P/E	16.9	10.5	10.0		8.2	7.0	
RoNW (%)	8.9	11.5	12.9		14.1	15.1	
RoCE (%)	4.8	9.1	10.7		11.8	12.2	

Key takeaways of recent quarter & conference call highlights

Q4FY23 Results Highlights: Aggressive renewable capacity addition target

- Revenue from operations for the quarter increased to ₹ 41317.9.0 crore; higher than our estimate of ₹ 38897 crore. From an operational perspective, gross generation and energy sold were at 89.7 billion units (BUs) and 77.8 Bus, higher than our estimates of 83.9 BUs and 77.8 BUs. However, tariff came in at ₹ 4.95 per unit (expected at ₹ 5/unit) led to rise in revenues. The company as of FY23 has an installed and commercial capacity of 56368 MW each whereas group level capacity was at 72254 MW
- PLFs or load factor for Q4FY23 were at 80.3% vs. 68.9% in Q3FY23. The same for the gas stations was at 1.7% for the quarter. The company received coal supplies to the tune of ~58 million tonne out of which ~3 million tonnes was from imported sources. For FY23, coal from imported sources was at 14 million tonne
- EBITDA came in at ₹ 11109.5 crore. Lower finance costs at ₹ 2581.7 crore also aided PAT along with a strong operational performance. Consequently, PAT came in at ₹ 5672.3 crore vs. our estimate of ₹ 5237 crore. The company has declared ₹ 7.25/share as total dividend for FY23, which includes an interim dividend of ₹ 4.75/share during Q3FY23.

ESG Disclosure Score			
Score	FY19	FY20	FY21
Environmental	17.6	29.4	20.8
Social	11.9	11.9	11.9
Governance	87.4	87.4	87.4
Overall ESG Score	39.0	43.0	40.1

Q4FY23 conference call highlights

- The company has set out an aggressive capacity addition of 16000 MW over FY24-26 on the renewable side most of which will be on the solar side whereas wind capacity will be to the tune of 4000-5000 MW. NTPC has 3300 MW of operational capacity while 4600 MW of projects are under construction and projects to the tune of 12600 MW are at various stages of planning (PPA signed/ Projects bid won). At the group level, the operational green capacity was at 3300 MW
- On the thermal side, the company will add projects to the tune of 4600 MW and ~3600 MW in FY24E and FY25E. On the new projects, the company will only do brownfield expansions to the tune of 6000 MW and the same will be awarded in FY24
- The company has transferred 15 RE assets to NGEL and the equity base of that subsidiary was at ₹ 5000 crore as of FY23
- In order to move away from coal assets, the company is planning to set up a JV with NPCIL and mark its foray into the nuclear power generation space. The company has identified projects to the tune of 4200 MW projects in MP (2X700 MW) and Rajasthan (4X700 MW) out of which it is confident of adding 2000 MW by 2032
- The company has achieved capex of ₹ 24597 crore on a standalone basis while consolidated capex was at ₹ 35204 crore. The company has incurred a cumulative capex of ₹ 9279 crore of capex on the coal mining segment
- NTPC produced 20.2 MT of coal from its coal mines in FY23 vs. 13.6 MT in FY22. Production from coal mines is expected to reach 50 MT by FY27E. The company during FY23 imported coal to the tune of 14 MMT vs. 2.5 MMT imported in FY22
- Average cost of borrowing was at 6.3% in Q4FY23 vs. 6.32% in Q3FY23 and 5.94% in Q4FY22
- CWIP was at ₹ 67771 crore vs. ₹ 98800 crore given renewable projects have lesser gestation period to execute and are smaller in project size as compared to the conventional power plant
- For FY23, PLF was at 75.9% vs. national average of 64.2%

Exhibit 1: Variance Analysis

	Q4FY23	Q4FY23E	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	Comments
Energy sales net	41,317.9	38,897.0	32,905.0	25.6	41,410.5	(0.2)	Revenues were above estimates on account of higher than expected generation
Other operating income	0.0	0.0	0.0	-	0.0	-	
Total Income	41,317.9	38,897.0	32,905.0	25.6	41,410.5	(0.2)	
Fuel	24,786.5	21,972.9	18,767.6	32.1	21,892.0	13.2	
G&A	3,897.4	3,900.0	2,646.0	47.3	4,781.5	(18.5)	
Employee expense	1,524.4	1,492.1	1,370.9	11.2	1,497.8	1.8	
Total expenses	30,208.4	27,365.0	22,784.5	32.6	28,171.3	7.2	
EBITDA	11,109.5	11,532.0	10,120.6	30.0	13,239.2	40.0	
EBITDA Margin (%)	26.9	29.6	30.8	-387 bps	32.0	-511 bps	
Depreciation	3,393.3	3,350.0	2,945.9	15.2	3,312.1	2.5	
Interest	2,581.7	2,900.0	1,912.2	35.0	2,874.4	-10.2	
Other Income	1,721.1	1,100.0	1,225.0	40.5	738.3	133.1	
PBT	7,215.9	6,801.3	6,627.3	8.9	7,791.0	(7.4)	
Total Tax	1,543.5	1,564.3	1,005.4	53.5	1,581.2	(2.4)	
Adjusted PAT	5,672.3	5,237.0	5,622	0.9	4,476.0	26.7	PAT was higher than estimates

Key Metrics							
Generation (Crore units)	8,966.8	8,390.0	7,992.4	12.2	7,864.6	14.0	Generation was higher than expected
Sales (Crore units)	8,342.0	7,780.0	7,392.7	12.8	7,287.0	14.5	
Tariff rate (₹/Kwh)	5.0	5.0	4.5	11.3	5.7	(12.8)	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY24E			FY25E		
	Old	New	% Change	Old	New	% change
Revenue	1,50,080.0	1,79,606.7	19.7	-	1,97,567.4	-
EBITDA	44,353.0	50,570.0	14.0	-	56,484.2	-
EBITDA Margin (%)	28.9	28.2	-74 bps	-	28.6	-
PAT	20,215.0	20,906.5	3.4	-	24,528.8	-
EPS (₹)	20.4	21.1	3.4	-	24.8	-

Source: ICICI Direct Research

Financial Summary

(Year-end March)	FY22	FY23	FY24E	FY25E
Total operating Income	1,21,175	1,63,770	1,79,607	1,97,567
Growth (%)	24	35	10	10
Raw Material Expenses	70,020	1,00,508	1,07,000	1,17,700
Employee Expenses	5,421	5,559	6,115	6,665
Other expenses	9,717	14,475	15,922	16,718
Total Operating Expenditure	85,159	1,20,541	1,29,037	1,41,083
EBITDA	36,016	43,228	50,570	56,484
Growth (%)	51	34	34	26
Depreciation	12,058	13,137	14,369	16,793
Interest	8,217	9,979	12,393	12,842
Other Income	3,575	3,955	3,500	3,700
PBT	19,316	24,067	27,309	30,549
Others	1,414	-591	200	500
Total Tax	4,458	6,279	6,602	6,520
PAT	16,273	17,197	20,907	24,529
Adjusted PAT	16,273	17,197	20,907	24,529
Growth (%)	61	6	22	17
EPS (₹)	16.4	17.4	21.1	24.8

Source: Company, ICICI Direct Research

(Year-end March)	FY22	FY23	FY24E	FY25E
Profit Before Tax	16,273	17,197	20,907	24,529
Add: Depreciation	12,058	13,137	14,369	16,793
(Inc)/dec in Current Assets	-15,447	-16,371	-9,668	-11,326
Inc/(dec) in CL and Provisions	7,378	23,718	4,672	6,626
Others	8,217	9,979	12,393	12,842
CF from operating activities	44,617	32,965	52,663	58,865
(Inc)/dec in Investments	4,246	27,739	10,000	-10,000
(Inc)/dec in Fixed Assets	-25,000	-28,000	-25,000	-27,000
Others	0	1	2	3
CF from investing activities	-20,754	-260	-14,998	-36,997
Issue/(Buy back) of Equity	0	1	2	3
Inc/(dec) in loan funds	54,164	29,015	11,706	16,819
Dividend paid & dividend tax	-8,041	-8,902	-9,764	-11,487
Inc/(dec) in Sec. premium	3	4	5	6
Others	-8,217	-9,979	-12,393	-12,842
CF from financing activities	37,910	10,139	-10,444	-7,500
Net Cash flow	11,565	-15,301	-2,257	3,180
Opening Cash	10,145	21,710	6,409	4,152
Closing Cash	21,710	6,409	4,152	7,332

Source: Company, ICICI Direct Research

(Year-end March)	FY22	FY23	FY24E	FY25E
Liabilities				
Equity Capital	9,895	9,895	9,895	9,895
Reserve and Surplus	1,18,258	1,26,553	1,37,695	1,50,738
Total Shareholders funds	1,28,153	1,36,447	1,47,590	1,60,632
Total Debt	1,72,294	1,80,909	1,88,145	1,93,789
AAD	1,947	1,947	1,947	1,947
Minority Interest / Others	1,152	1,152	1,152	1,152
Total Liabilities	3,03,545	3,20,454	3,38,834	3,57,520
Assets				
Gross Block	3,03,995	3,23,995	3,43,995	3,63,995
Less: Acc Depreciation	95,919	95,919	96,432	96,959
Net Block	2,08,076	2,28,076	2,47,563	2,67,036
Capital WIP	63,067	73,067	88,067	98,067
Total Fixed Assets	2,71,143	3,01,143	3,35,629	3,65,103
Investments	12,293	12,293	12,293	12,293
Inventory	12,774	18,081	19,356	21,162
Debtors	15,147	16,377	17,961	19,757
Loans and Advances	36,352	40,942	44,902	49,392
Other Current Assets	24,235	29,479	32,329	35,562
Cash	21,710	6,409	4,152	7,332
Total Current Assets	1,10,218	1,11,288	1,18,699	1,33,206
Creditors	12,774	19,889	21,291	23,279
Other Liabilities	29,805	46,408	49,679	54,317
Provisions	7,466	7,466	7,466	7,466
Total Current Liabilities	50,045	73,764	78,436	85,062
Net Current Assets	60,172	37,524	40,263	48,144
Others Assets	0	1	2	3
Application of Funds	3,03,545	3,20,454	3,38,834	3,57,520

Source: Company, ICICI Direct Research

(Year-end March)	FY22	FY23	FY24E	FY25E
Per share data (₹)				
EPS	16.4	17.4	21.1	24.8
Cash EPS	28.6	30.7	35.7	41.8
BV	129.5	137.9	149.2	162.3
DPS	7.0	7.8	8.5	10.0
Cash Per Share	21.9	6.5	4.2	7.4
Operating Ratios (%)				
EBITDA Margin	29.7	26.4	28.2	28.6
PBT / Total Operating income	15.9	14.7	15.2	15.5
PAT Margin	13.4	10.5	11.6	12.4
Inventory days	66.6	65.7	66.0	65.6
Debtor days	45.6	36.5	36.5	36.5
Creditor days	10.1	10.1	10.1	10.1
Return Ratios (%)				
RoE	11.5	12.9	14.1	15.1
RoCE	9.1	10.7	11.8	12.2
RoIC	9.3	11.1	12.2	12.4
Valuation Ratios (x)				
P/E	10.5	10.0	8.2	7.0
EV / EBITDA	8.9	8.0	7.0	6.3
EV / Net Sales	2.7	2.1	2.0	1.8
Market Cap / Sales	1.4	1.0	1.0	0.9
Price to Book Value	1.3	1.3	1.2	1.1
Solvency Ratios				
Debt/EBITDA	4.8	4.2	3.7	3.4
Debt / Equity	1.3	1.3	1.3	1.2
Current Ratio	2.6	1.7	1.7	1.7
Quick Ratio	0.5	0.1	0.1	0.1

Source: Company, ICICI Direct Research

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