

BSE SENSEX	S&P CNX
35,965	11,028
Bloomberg	NTPC IN
Equity Shares (m)	8,245
M.Cap.(INRb)/(USDb)	1,402 / 22.1
52-Week Range (INR)	188/153
1, 6, 12 Rel. Per (%)	-10/-13/-31
Avg Val, INR m	1151.0
Free float (%)	37.7

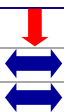
Financials & Valuations (INR b)

Y/E Mar	2018E	2019E	2020E
Net Sales	837.5	938.6	1,025.4
EBITDA	226.3	284.7	324.9
PAT	106.0	122.0	133.6
EPS (INR)	12.9	14.8	16.2
Gr. (%)	7.5	15.1	9.5
BV/Sh (INR)	126.3	135.1	144.1
RoE (%)	10.5	11.3	11.6
RoCE (%)	6.4	7.1	7.6
P/E (x)	13.2	11.5	10.5
P/BV (x)	1.3	1.3	1.2

Estimate change

TP change

Rating change


CMP: INR170 TP: INR210(+24%)
Buy

Fixed cost under-recoveries on coal shortage

Underlying performance strong; earnings cut on delays; Maintain Buy

NTPC's standalone (S/A) 3QFY18 adj. PAT declined ~5% YoY to INR21.3b, despite ~19% YoY increase in regulated equity to INR505b. It missed our estimate due to INR5.4b under-recovery of fixed cost. Average plant availability at 83% dipped below the normative 85% due to shortage of coal at Kudgi, Solapur and Mouda. Reported PAT at INR23.6b was impacted by INR2.4b in accelerated leave encashment, offset by a gain of INR5.6b on reversal of prior-period tax.

- Kudgi-U2 800MW and Bongaigaon U2-250MW were commercialized in 3QFY18. 1.6GW (Kudgi-U3 800MW and Lara-U1 800MW) in S/A and Meja 660MW in JV will be commissioned in 4QFY18.

Underlying performance remains strong; Earnings cut on delays; Maintain Buy

- Some of the projects are running behind schedule, while the outlook on solar capacity addition is uncertain. Resultantly, we have cut commercial capacity addition estimate from ~8GW to ~4GW for FY19 and ~7GW to ~6GW for FY20, but increased from ~4GW to ~6GW for FY21 for NTPC group. Consolidated PAT estimate is cut by 4-9% for FY19-21E.
- Fixed cost under-recovery and leave encashment, though operational, are non-recurring. Adj. for these items, underlying PAT growth of 20% was ahead of regulated equity growth for the second consecutive quarter as it benefits from efficiency gains. We expect consol. PAT to grow at a CAGR of ~13% over FY18-20E and RoE to improve by ~110bp, despite factoring in a cut in regulated RoE in the FY20 tariff period. We roll forward our TP to FY20E. Our DCF-based TP is revised to INR210/share (from INR211/share earlier). Maintain **Buy**.

Quarterly Performance (Consolidated) – INR million

Y/E March	FY17				FY18				FY17	FY18E	FY18	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Sales	188,585	193,979	193,959	204,167	201,076	198,518	207,151	192,313	782,734	799,058	199,602	4
Change (%)	10.3	8.1	10.9	11.4	6.6	2.3	6.8	-5.8			2.9	
EBITDA	52,139	53,914	52,260	58,248	52,684	55,933	52,177	64,303	216,200	225,097	60,516	-14
Other income	1,579	1,906	2,502	4,702	6,626	2,616	3,135	4,796	10,689	17,173	3,823	
PBT	30,761	32,580	30,819	30,080	34,654	32,228	25,848	38,750	123,879	131,480	35,608	-27
Tax	7,066	7,621	6,131	9,286	8,472	7,842	2,240	9,032	30,026	27,585	8,546	
PAT	23,695	24,960	24,687	20,794	26,182	24,386	23,608	29,719	93,853	103,894	27,062	-13
Change (%)	4.1	-17.9	-7.5	-25.5	10.5	-2.3	-4.4	42.9	-12.9	10.7	9.6	
Adj. PAT	24,047	23,410	22,448	26,606	25,742	28,387	21,336	29,719	96,227	105,183	27,062	-21
Change (%)	5.7	-0.7	0.0	0.5	7.0	21.3	-5.0	11.7	1.0	9.3	20.6	
A. Core PAT	22,827	22,138	20,536	23,121	20,757	26,337	19,046	25,992	88,298	92,132	24,156	-21
Core RoE (%)	21.9	21.0	19.4	21.4	18.9	22.7	15.3	20.5	20.7	19.4	19	
a. Base RoE - 15.5%	15,582	16,337	16,428	16,765	17,058	17,972	19,245	19,623	65,113	73,899	19,322	0
b. PLF incentive	1,530	30	0	1,470	549	660	450	1,524	3,030	3,183	726	
c. Others	5,715	5,771	4,108	4,885	3,150	7,705	-650	4,845	20,155	15,049	4,108	-116
B. Other income	1,220	1,272	1,912	3,485	4,985	2,050	2,290	3,726	7,930	13,051	2,906	-21
Key metrics												
Regulated Equity	420,146	423,072	424,822	440,489	439,927	487,680	505,625	507,196	440,489	507,196	509,595	-1
Commercial cap.(MW)	39,552	39,602	39,602	40,522	40,749	43,619	44,492	44,492	40,522	44,492	44,669	0
Coal-based PLF (%)	81.4	74.7	77.2	81.2	79.1	76.6	76.9				0	

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Tanda-II, Lara, Barh-I and New Nabinagar are running behind schedule.

Exhibit 1: Commercial capacity addition

	FY17	FY18	FY19	FY20	FY21
NTPCsa	1,420	4,295	3,310	4,380	4,620
Regulated		3,670	3,310	4,380	4,620
Northern Region		500		660	1,180
Unchahar- VI		500			
Tanda II				660	660
Koldam					
Tapoban Vishnugad					520
Western Region	660	1,320	2,260	1,600	
Vindhyachal V					
Mouda, Maharashtra					
Mouda II	660	660			
Lara (Chhattisgarh)			800	800	
Solapur		660	660		
Gadarwara			800	800	
Eastern Region	250	250	250	2120	3440
Barh-II Bihar					
Barh I				660	1,320
North Karanpura				660	1,320
Bongaigaon, Assam	250	250	250		
Darlipalli				800	800
Southern Region		1600	800		
Kudgi		1,600	800		
Solar	510	625			
NTPCjv	445	445	910	1,570	1,320
Meja Urja Nigam			660	660	
Nabinagar, BRBCL	250	250	250	250	
Nabinagar NPGCPL JV				660	1,320
Kanti, Muzzarpur, Bihar	195	195			
NTPC grp	1,865	4,740	4,220	5,950	5,940

Source: MOSL, Company

Exhibit 2: Utilities sector valuation

	Rating	CMP (INR)	TP (INR)	Up/(dw) %	MCAP (USD M)	EPS			P/E (x)		P/B(x)		RoE (%)	
						FY17	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Powergrid	Buy	194	261	35	15,779	14.0	17.4	20.4	11.1	9.5	1.8	1.5	17.0	17.4
NTPC	Buy	170	210	23	21,881	12.0	12.6	14.8	13.5	11.5	1.4	1.3	10.3	11.3
JSW Energy	Sell	88	49	-44	2,239	3.9	3.4	2.7	25.8	32.4	1.4	1.3	5.3	4.2
CESC	Buy	1,055	1,360	29	2,191	51.9	88.9	99.3	11.9	10.6	1.2	1.1	10.6	10.8
Tata Power	Sell	89	72	-20	3,756	7.4	7.3	7.5	12.2	11.8	1.9	1.6	16.0	14.6
NHPC	Buy	30	37	25	5,108	3.0	2.4	3.1	12.4	9.5	1.0	1.0	8.4	10.8
Coal India	Buy	299	335	12	29,398	14.9	17.5	20.7	17.1	14.4	7.2	6.9	43.4	48.9

Source: MOSL, Company

Financials and Valuations

Income Statement		(INR Million)						
Y/E March	2013	2014	2015	2016	2017	2018E	2019E	2020E
Net Sales	657,370	789,506	806,220	726,972	813,828	837,471	938,608	1,025,360
Change (%)	5.9	20.1	2.1	-9.8	11.9	2.9	12.1	9.2
Expenditure	486,699	592,401	634,280	547,486	598,870	611,124	653,863	700,504
EBITDA	170,672	197,106	171,941	179,486	214,958	226,347	284,745	324,856
Margin (%)	26.0	25.0	21.3	24.7	26.4	27.0	30.3	31.7
Depreciation	33,968	47,700	55,646	52,240	60,099	69,789	83,762	98,112
EBIT	136,704	149,406	116,295	127,246	154,859	156,559	200,983	226,743
Interest	19,244	32,031	35,704	33,137	36,511	44,230	58,956	71,663
Other Income	31,188	27,601	20,789	10,576	9,668	16,152	9,793	9,725
XO reported	17,138	-119	3,182	0	0	0	0	0
Profit before Tax	165,786	144,858	104,562	104,685	128,016	128,481	151,821	164,806
Tax	39,592	30,824	4,638	-1,628	30,467	28,719	38,632	42,346
Tax Rate (%)	23.9	21.3	4.4	-1.6	23.8	22.4	25.4	25.7
Share of JVs				1,412	6,247	7,478	8,736	11,049
Minority int				-204	-57	-57	-57	-57
PAT	126,194	114,034	99,924	107,929	103,854	107,297	121,981	133,566
Prior period	-16,468	-22,538	-12,327	-11,055	-5,259	-1,289	0	0
Adj. PAT	92,588	91,615	84,414	96,874	98,595	106,008	121,981	133,566
Change (%)	5.4	-1.1	-7.9	14.8	1.8	7.5	15.1	9.5

Balance Sheet		(INR Million)						
Y/E March	2013	2014	2015	2016	2017	2018E	2019E	2020E
Share Capital	82,455	82,455	82,455	82,455	82,455	82,455	82,455	82,455
Reserves	721,421	790,843	738,485	809,511	895,926	958,697	1,031,205	1,105,404
Net Worth	803,875	873,297	820,940	891,965	978,380	1,041,151	1,113,660	1,187,859
Minority Interest	0	6,804	8,879	8,928	8,033	8,033	8,033	8,033
Loans	581,461	814,549	1,022,520	1,120,194	1,137,512	1,284,352	1,375,220	1,364,794
Deferred Tax Liability	9,153	12,393	12,656	14,094	14,849	14,849	14,849	14,849
Capital Employed	1,394,489	1,707,044	1,864,995	2,035,181	2,138,774	2,348,385	2,511,761	2,575,534
Gross Block	1,032,457	1,313,937	1,443,608	1,632,140	1,170,879	1,549,163	1,914,115	2,314,974
Less: Accum. Deprn.	403,096	471,858	525,077	587,180	125,562	228,813	312,575	410,687
Net Fixed Assets	629,361	842,080	918,530	1,044,959	1,045,317	1,320,349	1,601,540	1,904,287
Capital WIP	371,094	538,250	675,547	815,497	868,957	805,034	675,267	428,245
Investments	91,376	16,635	141	148	78,023	82,425	89,539	92,838
Current Assets	519,333	603,487	601,543	543,886	492,677	485,122	494,506	505,156
Inventory	40,572	59,885	79,725	79,592	65,861	64,556	68,941	75,822
Account Receivables	53,650	67,257	92,499	101,740	89,995	84,361	88,969	97,898
Cash and Bank Balance	184,902	186,876	161,390	57,370	33,015	32,399	32,790	27,630
Loans and Advances	113,790	173,875	190,883	202,075	6,133	6,133	6,133	6,133
Others	126,420	115,595	77,046	103,110	297,674	297,674	297,674	297,674
Current Liabilities	216,676	293,408	330,766	369,310	346,200	344,545	349,090	354,991
Payables	51,324	72,240	71,076	68,266	55,859	54,204	58,748	64,650
Other current liabilities	165,352	221,168	259,690	301,044	290,341	290,341	290,341	290,341
Net Working Capital	302,657	310,080	270,777	174,577	146,477	140,577	145,416	150,165
Application of Funds	1,394,489	1,707,044	1,864,995	2,035,181	2,138,774	2,348,385	2,511,761	2,575,534

E: MOSL Estimates

Financials and Valuations

Ratios								
Y/E March	2013	2014	2015	2016	2017	2018E	2019E	2020E
Basic (INR)								
EPS	11.2	11.1	10.2	11.7	12.0	12.9	14.8	16.2
Cash EPS	19.4	19.6	18.9	19.4	19.9	21.5	25.0	28.1
BV/Share	97.5	105.9	99.6	108.2	118.7	126.3	135.1	144.1
DPS	5.8	5.8	5.8	3.4	4.8	4.5	5.0	6.0
Payout (%)	51.2	51.8	56.2	28.5	40.0	35.0	33.8	37.0
Valuation (x)								
P/E	12.7	11.0	14.2	11.1	14.2	13.2	11.5	10.5
Cash P/E	7.4	6.2	7.7	6.7	8.6	7.9	6.8	6.1
P/BV	1.5	1.2	1.5	1.2	1.4	1.3	1.3	1.2
EV/EBITDA	9.2	8.3	12.0	11.9	11.7	11.7	9.6	8.4
Dividend Yield (%)	4.0	4.7	4.0	2.6	2.8	2.6	2.9	3.5
Return Ratios (%)								
EBITDA Margins (%)	26.0	25.0	21.3	24.7	26.4	27.0	30.3	31.7
Net Profit Margins (%)	19.2	14.4	12.4	14.8	12.8	12.8	13.0	13.0
RoE	12.0	10.9	10.0	11.3	10.5	10.5	11.3	11.6
RoIC (Post-tax)	16.0	13.7	11.2	11.8	10.2	9.4	9.5	9.0
RoCE (Post-tax)	9.7	9.4	7.4	7.2	6.4	6.4	7.1	7.6
Working Capital Ratios								
Debtor (Days)	30	31	42	51	40	37	35	35
Inventory (Days)	23	28	36	40	30	28	27	27
Payable (Days)	28	33	32	34	25	24	23	23
Growth (%)								
Sales	5.9	20.1	2.1	-9.8	11.9	2.9	12.1	9.2
EBITDA	24.3	15.5	-12.8	4.4	19.8	5.3	25.8	14.1
PAT	5.4	-1.1	-7.9	14.8	1.8	7.5	15.1	9.5
Leverage Ratio (x)								
Current Ratio	2.4	2.1	1.8	1.5	1.4	1.4	1.4	1.4
Interest Cover Ratio	8.7	5.5	3.8	4.2	4.5	3.9	3.6	3.3
Net Debt/EBITDA	2.3	3.2	5.0	5.9	5.1	5.5	4.7	4.1
Net Debt/Equity	0.5	0.7	1.0	1.2	1.1	1.2	1.2	1.1

Cash Flow Statement

Y/E March	2013	2014	2015	2016	2017	2018E	2019E	2020E
Profit/(Loss) before Tax	165,786	144,858	104,562	101,035	137,606	128,481	151,821	164,806
Interest	19,021	31,643	35,286	41,090	35,691	44,230	58,956	71,663
Depreciation	33,968	47,700	55,646	61,534	60,099	69,789	83,762	98,112
(Inc)/Dec in WC	-5,971	-13,109	-11,694	-36,422	-2,073	5,285	-4,449	-9,908
Tax paid	-28,956	-26,867	-20,100	-14,584	-26,263	-28,719	-38,632	-42,346
others	-28,896	-18,917	-16,242	1,452	-3,395	-16,152	-9,793	-9,725
CF from Operations	154,952	165,308	147,459	154,106	201,666	202,912	241,664	272,602
Capex	-162,912	-189,485	-191,772	-232,470	-243,451	-280,898	-235,185	-153,837
(Pur)/sale of Invest.	16,225	16,225	16,391	16,536	3,436			
Acquisition in subs.	-12,503	0	0	0	-12,002	-4,402	-7,114	-3,299
Int. & Div. Income	19,021	18,166	17,037	9,528	2,707	16,152	9,793	9,725
Others		18,851	145	-16,514	-8,262	7,535	8,793	11,106
CF from Investments	-140,169	-136,243	-158,200	-222,920	-257,573	-261,612	-223,714	-136,305
Issue of Shares								
Inc/(Dec) in Debt	72,624	93,854	205,811	80,528	150,466	146,840	90,868	-10,426
finance cost	-39,461	-62,429	-72,371	-83,473	-75,645	-44,230	-58,956	-71,663
Dividend (incl. tax)	-40,688	-58,719	-148,385	-33,513	-43,269	-44,525	-49,473	-59,367
Others	0	203	200	1,252	0			
CF from Fin. Activity	-7,524	-27,091	-14,745	-35,206	31,552	58,085	-17,560	-141,456
Inc/Dec of Cash	7,259	1,975	-25,486	-104,021	-24,355	-615	390	-5,160
Add: Beginning Balance	177,643	184,902	186,876	161,390	57,369	33,015	32,399	32,790
Closing Balance	184,902	186,876	161,390	57,369	33,015	32,399	32,790	27,630

E: MOSL Estimates

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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