

Muted performance...

NTPC reported its Q1FY20 operational performance in line with estimates. Higher-than-expected tariff for the quarter led to revenue beat as gross generation and energy sold were in line. Higher than other income was balanced by higher depreciation charge, which led PAT to come in line with our estimates. Reported revenues came in at ₹ 24,192.6 crore vs. estimate of ₹ 22,590.1 crore. The key reason for the beat was higher-than-expected tariff during Q1FY20 at ₹ 3.63/kWHR vs. expectations of ₹ 3.55/kWHR. EBITDA came in at ₹ 6,452.4 crore vs. our estimate of ₹ 6,059.1 crore, mainly on account of higher revenues. Reported PAT came in at ₹ 2,602.8 crore vs. our estimate of ₹ 2,590.5 crore, on account of higher other income the same which was dented by higher than expected depreciation charges.

Key performance indicators for Q1FY20

Gross generation fell 1% to ~68.5 billion units (BUs) vs. estimate of 68.2 BUs whereas energy sold declined 1.4% YoY to 63.6 BUs vs. our estimate of 63.6 BUs. Plant load factor (PLF) of coal plants was at 73.9% vs. 78% in Q1FY19 while that of the gas based plants was at 20.6%. Similarly, plant availability factor (PAF) was at 91.1% vs. 85.90% in Q1FY19 while the same for gas based stations PAF was at 90.4% vs. 83.8%. In Q1FY20, commercial capacity of NTPC was at 46,525 MW. NTPC's PAF loss for the quarter was ₹ 120 crore vs. ₹ 490 crore in Q1FY19, which was mainly due to maintenance shutdowns at Kahalgaon, Vindhyachal and Simhadri. NTPC had shut down some units at Kaniha (3000 MW) due to non-availability of coal which affected the PAF.

Capacity addition, coal mining ramp up steady

Installed capacity of the company at the group and standalone level was at 55126 MW and 47325 MW, respectively, as of Q1FY20. At the standalone level, the company added one unit of 800 MW (Gadhwara project) during the quarter. The management expects total capacity addition of 5000 MW in FY20E, which will be evenly spread throughout the year. With respect to the captive coal production, the company produced coal to the tune of 2.13 MT during Q1FY20. The management expected production from Pakrih Barwadih production to get ramped up to 8-9 MT in FY20E, which will help fuel capacity that is likely to come up in FY19-20E.

Valuation & Outlook

NTPC has a reasonable visibility on capacity addition over the next two to three years relative to the sector wherein no other player has a clear roadmap for incremental capacity. However, at the same time, stupendous growth in the solar sector coupled with its environmental benefits will continue to cast a cloud on conventional players like NTPC. We value the company at 9x P/E on FY21 EPS to arrive at a target price of ₹ 122.



Particulars

Particulars	Amount
Market Capitalisation	₹ 115766 Crore
Debt (FY19)	₹ 128000 Crore
Cash (FY19)	₹ 4406 Crore
EV	₹ 239360 Crore
52 week H/L (adjusted)	₹ 146/107
Equity capital	₹ 9895 Crore
Face value	₹ 10
MF Holding (%)	13.0
FII Holding (%)	11.6

Key Highlights

- For FY20E, NTPC expects to add capacity to the tune of 5000 MW
- Under recovery of fixed costs stood at ₹120 crore in Q1FY20 vs. ₹490 crore in Q1FY19
- Maintain **HOLD** recommendation with revised target price of ₹ 122

Research Analyst

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Key Financial Summary

Key Financials	FY17	FY18	FY19E	FY20E	FY21E	CAGR (FY19-21E)
Net Sales	55,040	54,636	58,052	62,929	67,944	8.2%
EBITDA	11,458	10,542	11,938	13,370	14,569	10.5%
EBITDA Margins (%)	20.8	19.3	20.6	21.2	21.4	
Net Profit	8,490	8,008	9,003	10,449	11,709	14.0%
EPS (₹)	17.5	12.7	14.9	17.3	19.4	
P/E	16.2	22.5	19.0	16.4	14.6	
RoNW (%)	16.3	16.6	15.8	16.7	17.0	
RoCE (%)	16.9	16.9	17.8	18.1	18.4	

Source: Company, ICICI Direct Research

Exhibit 1: Variance Analysis

	Q1FY20	Q1FY20E	Q1FY19	YoY (%)	Q4FY19	QoQ (%)	Comments
Energy sales net	24,192.6	22,590.1	22,768.2	6.3	21,222.4	14.0	Revenues higher on account of higher tariff
Other operating income	0.0	0.0	0.0	-	0.0	-	
Total Income	24,192.6	22,590.1	22,768.2	6.3	21,222.4	14.0	
Fuel	14,658.8	13,436.2	13,799.6	6.2	12,700.3	15.4	Fuel cost per Kwhr at ₹ 2.14/Kwhr
G&A	1,885.6	1,807.2	1,707.3	10.4	2,671.7	(29.4)	
Employee expense	1,195.8	1,287.6	1,219.9	(2.0)	1,206.1	(0.9)	
Total expenses	17,740.2	16,531.0	16,726.8	6.1	16,578.0	7.0	
EBITDA	6,452.4	6,059.1	6,041.4	6.8	4,644.4	38.9	
EBITDA Margin (%)	26.7	26.8	26.5	14 bps	21.9	479 bps	
Depreciation	2,051.0	1,800.0	1,860.2	10.3	1,504.8	36.3	Depreciation was lower than estimates
Interest	1,565.3	1,200.0	1,219.9	28.3	925.7	69.1	
Other Income	326.2	150.0	136.4	139.2	1,323.2	(75.3)	Other income higher than estimates
PBT	3,673.0	3,279.1	3,257.8	12.7	-2,838.8	(229.4)	
Total Tax	1,070.2	688.6	688.1	55.5	-7,189.1	(114.9)	
Adjusted PAT	2,602.8	2,590.5	2,569.7	1.3	4,350.3	(40.2)	PAT in line with estimates
Key Metrics							
Generation (Crore units)	6,849.5	6,820.4	6,921.2	(1.0)	7,005.7	(2.2)	Generation muted but better than estimates
Sales (Crore units)	6,363.9	6,363.4	6,455.8	(1.4)	6,534.9	(2.6)	
Tariff rate (₹/Kwh)	3.6	3.6	3.5	3.7	3.7	(1.7)	

Source: Company, ICICI Direct Research

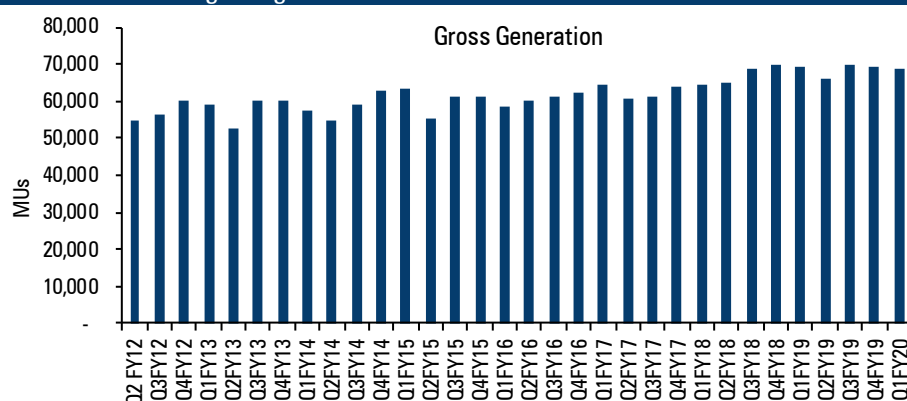
Exhibit 2: Change in estimates

(₹ Crore)	FY20E			FY21E		
	Old	New	% Change	Old	New	% change
Revenue	99,140.3	99,140.3	(0.0)	107,551.2	107,551.2	(0.0)
EBITDA	25,606.0	25,606.1	0.0	28,044.5	28,044.5	0.0
EBITDA Margin (%)	25.8	25.8	0 bps	26.1	26.1	0 bps
PAT	12,237.0	12,237.4	0.0	13,436.9	13,436.9	(0.0)
EPS (₹)	12.4	12.4	(0.1)	13.6	13.6	(0.3)

Source: Company, ICICI Direct Research

Key Charts

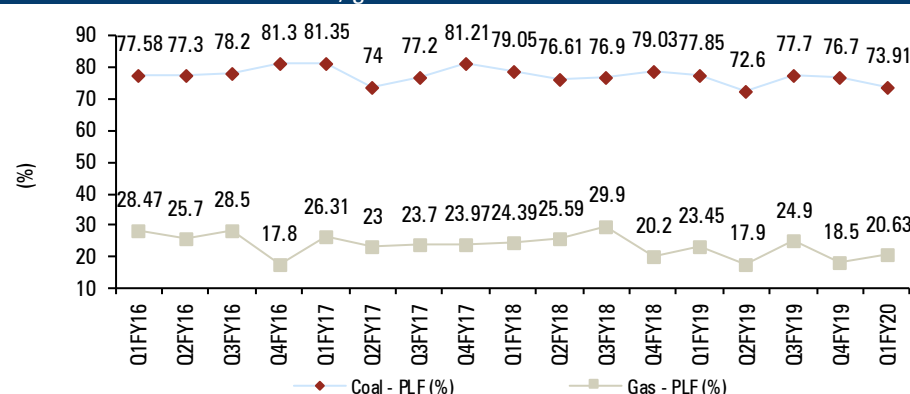
Exhibit 3: Trend in gross generations



Source: Company, ICICI Direct Research

Gross generation flat YoY at 68.5 billion units in Q1FY20

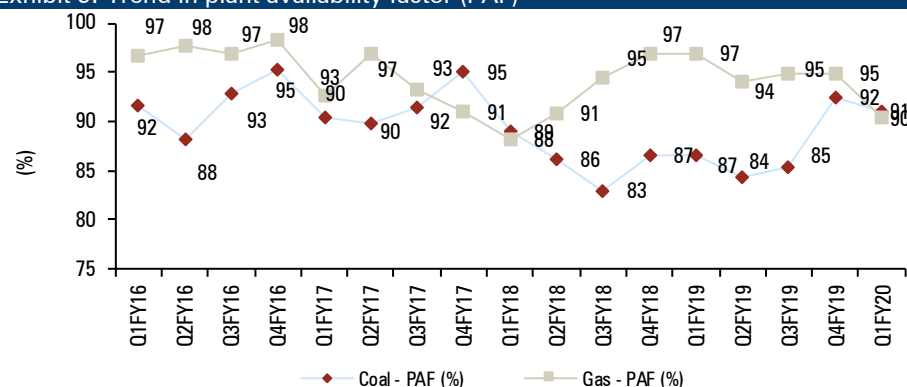
Exhibit 4: Trend in PLFs of coal, gas based stations



Source: Company, ICICI Direct Research

NTPC's PLF at 73.91% vs. national average of 62.83%.

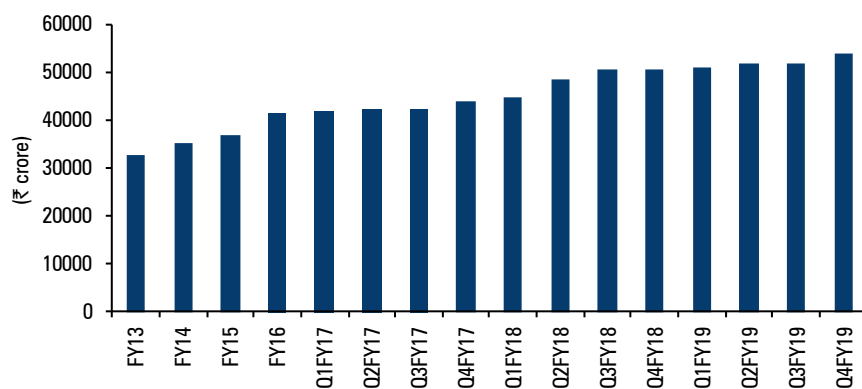
Exhibit 5: Trend in plant availability factor (PAF)



Source: Company, ICICI Direct Research

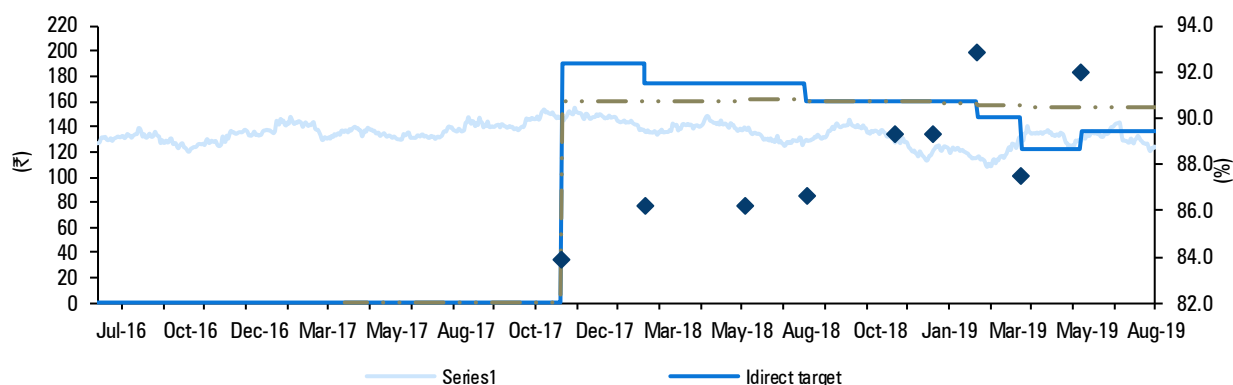
Plant availability factor (PAF) for Q1FY20 improved substantially from 86.6% in Q1FY19 to 91.01% in Q1FY20

Exhibit 6: Regulated equity



Source: Company, ICICI Direct Research

Exhibit 7: Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Exhibit 8: Top 10 Shareholders

Rank	Investor Name	atest Filing Date	% O/S	Position	Position Change
1	Government of India	30-Jun-19	56.4	5,581.2	31.0
2	Life Insurance Corporation of India	30-Jun-19	10.8	1,071.6	(66.8)
3	ICICI Prudential Asset Management Co	30-Jun-19	5.9	583.4	(11.2)
4	HDFC Asset Management Co., Ltd.	30-Jun-19	3.7	362.8	18.2
5	Reliance Nippon Life Asset Managemen	30-Jun-19	1.8	177.2	(4.9)
6	Capital World Investors	30-Jun-19	1.6	161.9	3.7
7	T. Rowe Price International (UK) Ltd.	30-Jun-19	1.1	105.6	(23.7)
8	T. Rowe Price Associates, Inc.	31-Mar-19	1.0	103.4	(0.8)
9	SBI Funds Management Pvt. Ltd.	30-Jun-19	1.0	95.2	4.1
10	The Vanguard Group, Inc.	30-Jun-19	0.8	84.0	(1.4)

Source: Reuters, ICICI Direct Research

Exhibit 9: Recent Activity

Buys			Sells		
Investor Name	Value (US\$)	Shares	Investor Name	Value (US\$)	Shares
Government of India	63.7	31.0	Life Insurance Corporation of India	-136.9	-66.8
HDFC Asset Management Co., Ltd.	37.3	18.2	T. Rowe Price International (UK) Ltd.	-48.6	-23.7
Kotak Mahindra Asset Management Company Ltd	9.3	4.5	ICICI Prudential Asset Management Co. Ltd.	-23.0	-11.2
SBI Funds Management Pvt. Ltd.	8.4	4.1	Reliance Nippon Life Asset Management Limitec	-10.1	-4.9
Capital World Investors	7.7	3.7	Florida State Board of Administration	-9.1	-4.7

Source: Reuters, ICICI Direct Research

Exhibit 10: Shareholding Pattern

(in %)	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Promoter	61.7	61.8	58.9	56.1	56.1
FII	11.3	11.6	11.7	11.5	11.6
DII	23.6	23.6	25.5	28.7	28.4
Others	3.4	3.0	3.9	3.7	3.8

Source: Company, ICICI Direct Research

Exhibit 11: ICICI Direct coverage universe (Power)

Sector / Company	CMP	Target	Rating	M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating	(₹ Cr)	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
CESC (CESC)	752	845	Buy	9,964	63.1	86.2	89.1	11.9	8.7	8.4	7.0	7.4	6.4	10.5	9.5	10.1	8.9	11.8	11.1
NTPC (NTPC)	117	122	Hold	119,000	11.1	12.1	12.4	10.5	9.7	9.4	9.5	10.1	9.7	7.9	6.3	5.5	9.6	14.8	10.8
Power Grid (POWGRIL)	200	210	Hold	103,300	17.4	20.8	21.7	11.5	9.6	9.2	8.9	8.1	7.6	6.4	7.0	7.4	16.0	16.5	15.1

Source: Company, ICICI Direct Research

Financial summary

Exhibit 11: Profit and loss statement ₹ crore				
(Year-end March)	FY18	FY19E	FY20E	FY21E
Total operating Income	83,453	90,507	99,140	107,551
Growth (%)	8	5	(4)	12
Raw Material Expenses	49,629	55,207	60,390	65,524
Employee Expenses	4,735	4,780	5,067	5,421
Other expenses	7,422	7,549	8,077	8,562
Total Operating Expenditure	61,785	67,536	73,534	79,507
EBITDA	21,667	22,971	25,606	28,045
Growth (%)	27	7	16	14
Depreciation	7,099	7,254	7,915	8,588
Interest	3,984	4,717	4,947	5,368
Other Income	1,755	1,872	2,000	2,100
PBT	12,340	12,873	14,744	16,189
Others	0	0	(3,841)	0
Total Tax	2,549	(2,919)	2,506	2,752
PAT	9,790	15,791	12,237	13,437
Adjusted PAT	9,790	10,766	12,237	13,437
Growth (%)	(11)	10	14	10
EPS (₹)	11.9	12.1	12.4	13.6

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement ₹ crore				
(Year-end March)	FY18	FY19E	FY20E	FY21E
Profit Before Tax	9,790	11,950	12,237	13,437
Add: Depreciation	7,099	7,254	7,915	8,588
(Inc)/dec in Current Assets	(4,506)	(6,644)	(2,617)	(2,964)
Inc/(dec) in CL and Provisions	959	1,150	1,200	1,194
Others	3,984	4,717	4,947	5,368
CF from operating activities	17,326	18,427	26,516	29,162
(Inc)/dec in Investments	17,923	21,509	15,297	12,307
(Inc)/dec in Fixed Assets	(25,000)	(25,000)	(30,000)	(28,000)
Others	0	0	0	0
CF from investing activities	(7,077)	(3,491)	(14,703)	(15,693)
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	16,489	20,041	22,045	22,349
Dividend paid & dividend tax	(4,690)	(6,892)	(5,743)	(5,743)
Inc/(dec) in Sec. premium	0	1	2	3
Others	(3,984)	(4,717)	(4,947)	(5,368)
CF from financing activities	7,814	8,433	11,357	11,241
Net Cash flow	(1,956)	4,767	(2,467)	2,928
Opening Cash	14,767	12,811	17,578	15,111
Closing Cash	12,811	17,578	15,111	18,039

*calculated, Source: Company, ICICI Direct Research

Exhibit 13: Balance sheet ₹ crore				
(Year-end March)	FY18	FY19E	FY20E	FY21E
Liabilities				
Equity Capital	8,245	9,895	9,895	9,895
Reserve and Surplus	93,532	96,941	103,435	111,129
Total Shareholders funds	101,778	106,836	113,330	121,023
Total Debt	106,424	117,066	128,773	141,650
AAD	1,947	1,947	1,947	1,947
Minority Interest / Others	1,152	1,152	1,152	1,152
Total Liabilities	211,300	227,000	245,201	265,772
Assets				
Gross Block	202,995	227,995	257,995	285,995
Less: Acc Depreciation	64,608	71,863	79,778	88,366
Net Block	138,387	156,132	178,217	197,629
Capital WIP	77,313	65,006	60,006	60,006
Total Fixed Assets	215,699	221,138	238,223	257,635
Investments	12,293	12,293	12,293	12,293
Inventory	9,268	10,130	11,030	11,926
Debtors	10,849	13,546	11,873	10,735
Loans and Advances	23,367	25,286	27,209	28,985
Other Current Assets	14,187	15,352	16,820	18,250
Cash	12,811	17,578	15,111	18,039
Total Current Assets	70,481	81,893	82,042	87,934
Creditors	3,707	4,052	4,412	4,770
Other Liabilities	8,650	9,455	10,295	11,131
Provisions	9,096	9,096	9,096	9,096
Total Current Liabilities	21,453	22,603	23,803	24,997
Net Current Assets	49,028	59,290	58,240	62,937
Others Assets	0	0	0	0
Application of Funds	211,300	227,000	245,201	265,772

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios ₹ crore				
(Year-end March)	FY18	FY19E	FY20E	FY21E
Per share data (₹)				
EPS	11.9	12.1	12.4	13.6
Cash EPS	20.5	23.3	20.4	22.3
BV	123.4	108.0	114.5	122.3
DPS	4.9	6.0	5.0	5.0
Cash Per Share	15.5	21.3	18.3	18.2
Operating Ratios (%)				
EBITDA Margin	26.0	25.4	25.8	26.1
PBT / Total Operating income	14.8	14.2	14.9	15.1
PAT Margin	11.7	17.4	12.3	12.5
Inventory days	68.2	67.0	66.7	66.4
Debtor days	47.5	54.6	43.7	36.4
Creditor days	7.1	8.1	9.1	10.1
Return Ratios (%)				
RoE	9.6	14.8	10.8	11.1
RoCE	7.9	6.3	5.5	6.3
RoIC	8.4	6.8	5.8	6.7
Valuation Ratios (x)				
P/E	9.9	9.7	9.5	8.6
EV / EBITDA	8.8	9.4	9.0	8.5
EV / Net Sales	2.3	2.4	2.3	2.2
Market Cap / Sales	1.2	1.3	1.2	1.1
Price to Book Value	0.9	1.1	1.0	1.0
Solvency Ratios				
Debt/EBITDA	4.9	5.1	5.0	5.1
Debt / Equity	1.0	1.1	1.1	1.2
Current Ratio	5.7	6.1	5.6	5.5
Quick Ratio	1.0	1.3	1.0	1.1

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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