

Estimate change	↔
TP change	↔
Rating change	↔

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Bloomberg	NTPC IN
Equity Shares (m)	9,895
M.Cap.(INRb)/(USDb)	960.3 / 12.6
52-Week Range (INR)	146 / 74
1, 6, 12 Rel. Per (%)	-11/-2/-19
12M Avg Val (INR M)	1704

Financials & Valuations (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	1,143	1,094	1,269
EBITDA	364.1	351.9	410.8
Adj. PAT	136.6	130.4	161.7
EBITDA Margin (%)	31.8	32.2	32.4
Cons. Adj. EPS (INR)	13.8	13.2	16.3
EPS Gr. (%)	19.2	-4.5	24.0
BV/Sh. (INR)	120.1	126.9	135.2

Ratios

Net D:E	1.7	1.5	1.4
RoE (%)	11.9	10.7	12.5
RoCE (%)	6.5	6.6	7.6
Payout (%)	22.8	41.7	42.8

Valuations

P/E (x)	7.0	7.4	5.9
P/BV (x)	0.8	0.8	0.7
EV/EBITDA(x)	8.1	8.2	6.9
Div. Yield (%)	3.2	5.7	7.2
FCF Yield (%)	6.8	20.8	23.7

Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	51.0	54.1	56.1
DII	33.6	30.6	29.1
FII	12.6	12.8	11.5
Others	2.8	2.5	3.4
FII Includes depository receipts			

CMP: INR97 TP: INR145 (+49%) Buy

Adj. PAT benefits from FC recoveries

FC recoveries flow in; Reported PAT impacted by tax-related one-offs

- NTPC's results highlight the impact of several one-offs, largely on the tax front. Adj. for these one-offs, though, numbers reflect the benefit of fixed cost (F/C) recoveries and strong other income. We expect FC under-recoveries (u/r) to remain low on better coal availability.
- Commercialization at 5.3GW in FY20 marked an all-time high for the company. A pickup in capitalization, along with lower F/C u/r, should drive a 10% earnings CAGR over FY20–23. Maintain **Buy**, with TP of INR145/sh.

Adj. profits benefit from FC recoveries and other income

- Adj. for one-offs and FC u/r, NTPC's S/A PAT came in at INR33.0b (4% up YoY and 8% higher than our est. of INR30.4b). The beat on our estimate was partly led by higher-than-expected other income (adj. other income at INR6.8b v/s our est. of INR6b). Other income was aided by late payment surcharge of INR3.9b. Fixed cost recoveries stood at INR1.3b.
- Reported PAT, however, came in at INR12.5b (down 71% YoY) given the numerous one-offs. Among them were: a) INR8.9b net impact on tax under the Vivad se Vishwas scheme and b) INR8b impact on account of adj. for RRA and MAT credit. For FY20, adj. S/A profit (incl. FC u/r) grew 15% YoY to INR121b v/s INR106b in FY19. FY20 S/A CFO stood at INR220b while the company declared a total dividend of INR3.15/sh for FY20.
- Profit from JVs was lower at INR0.5b v/s INR0.8b in 4Q. Overall, FY20 JV profit declined to INR4b in FY20 v/s INR6.7b in FY19 on account of losses at Meja (losses >INR3b for FY20).

Management commentary: Commercialization target of ~5.9GW for FY21

- NTPC expects capitalization momentum to continue and targets ~5.9GW for commercialization in FY21. However, the company has witnessed issues related to manpower deployment, which could hamper execution. The company is confident of achieving at least 4.5GW in FY21. It has set a commercialization target of 5.7GW for FY22.
- The co. further plans to increase its footprint in the Renewable space. ~2.3GW solar projects are under implementation for the co., and it has awarded ~2.1GW projects on an EPC basis.
- Overdues for the company have risen and currently stand at INR180b v/s INR96b at the end of FY20.

Capitalization gains pace, under-recoveries decline; Reiterate Buy

- NTPC commercialized 5.3GW of capacities for FY20 – the highest ever in a single fiscal year – and is guiding for ~5.9GW to be capitalized in FY21. Capitalization has picked up pace and would drive a regulated equity CAGR of 12% over FY20–23E and boost RoE (+120bps accretion). Furthermore, muted power demand, coupled with production ramp-up at Coal India's mines, has led to an increase in coal stocks at power plants and improved plant availability factors. Thus, FC u/r should remain low. Maintain **Buy**, with a DCF based target price of INR145/sh.

Quarterly Performance (standalone) – INR b

Y/E March	FY19				FY20				FY19	FY20E	FY20 4QE	var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Sales	228.6	226.3	238.1	224.6	247.0	236.3	250.9	291.0	940.8	1,025.3	178.3	63
Change (%)	13.7	14.0	14.9	-4.0	8.0	4.4	5.4	29.6			-20.6	
EBITDA	61.1	59.6	62.7	58.8	69.6	72.1	85.7	91.7	265.5	319.2	57.1	61
Other income	1.4	2.2	1.9	13.2	3.3	8.9	5.3	10.3	18.7	27.8	6.0	73
PBT	31.7	30.0	31.8	47.8	36.7	43.7	50.2	62.4	164.5	192.9	28.3	120
Tax	5.8	5.8	7.9	4.3	10.7	11.0	20.3	49.8	47.0	91.8	-4.4	
PAT	25.9	24.3	23.9	43.5	26.0	32.6	30.0	12.5	117.5	101.1	32.7	-62
Change (%)	-1.1	-0.5	1.0	48.7	0.6	34.5	25.6	-71.2	13.6	-13.9	-24.8	
Adj. PAT (excl. FC u/r)	29.6	27.9	25.5	31.7	26.8	34.7	29.0	33.0	114.7	123.5	30.4	8
Change (%)	16.6	3.2	-2.9	13.3	-9.3	24.5	13.6	3.9	-99.9	7.6	-4.2	

Source: MOFSL, Company

Exhibit 1: Key Operating Parameters

		FY19				FY20			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Capacity									
Installed	GW	53.7	53.7	53.2	55.1	55.1	57.1	58.2	62.1
Commercial	GW	51.4	52.2	51.7	52.9	54.3	55.0	56.4	61.1
Regulated Equity	INR b	509.2	519.9	521.1	539.9	531.2	532.6	565.7	618.1
Generation									
Gross	b kWh	69	66	70	69	68	62	61	68
Electricity sales	b kWh	65	62	65	64	64	57	56	63
Availability									
Coal	%	85.9	84.3	85.3	92.4	91.1	84.1	88.3	94.3
Gas	%	83.9	94.9	94.9	95.6	90.4	93.3	98.8	92.6
PLF									
Coal	%	78.0	72.6	77.7	77.6	73.9	64.3	63.5	69.5
Gas	%	23.1	17.9	24.9	18.5	20.6	13.1	10.4	12.3
Fuel									
Coal Received	mt	43.1	40.0	45.3	47.6	43.2	36.0	44.0	49.1
o/w imported	mt	0.1	0.1	0.2	0.7	0.9	0.6	0.7	0.7
% imported	%	0.2	0.3	0.4	1.4	2.1	1.7	1.5	1.4
Gas received	mmscmd	4.7	4.0	5.7	4.1	4.5	3.1	2.4	2.8
Per unit									
Realization	INR/kWh	3.62	3.72	3.64	3.92	3.89	4.20	4.38	4.66
Fuel cost	INR/kWh	2.14	2.19	2.30	2.24	2.30	2.37	2.32	2.38
Fixed charge	INR/kWh	1.48	1.54	1.34	1.67	1.59	1.82	2.06	2.29

Source: MOFSL, Company

Exhibit 2: NTPC Valuation

		Case 1		Base		Case 2	
Rf. Nominal risk-free rate	(%)	6.50	(%)	7.00	(%)	7.50	(%)
B. Beta		0.85		0.85		0.85	
Km. Equity Risk premium	(%)	5.00	(%)	5.00	(%)	5.00	(%)
Cost of equity (Rf+Km x B)	(%)	10.75	(%)	11.25	(%)	11.75	(%)
DCF E		INR m	INR/sh.	INR m	INR/sh.	INR m	INR/sh.
A. FY21-24		246,796	25	243,838	25	240,935	24
	RoE	Re-Invest	Growth				
	(%)	(%)	(%)				
B. FY25-32	12.00	30	3.6	594,775	60	572,256	58
C. Terminal Value	11.50	25	2.9	692,792	70	614,380	62
Target price (A+B+C)				155		145	

Source: MOFSL, Company

Conference call takeaways

Capex and capitalization:

- Capex for NTPC stood at INR240b for FY20. Capital outlay for FY21 is estimated at INR210b.
- The co. targets ~5.9GW for commercialization in FY21. However, the company has witnessed issues related to manpower deployment, which could hamper execution. However, the company is confident of achieving at least 4.5GW. It has set a commercialization target of 5.7GW for FY22.

Under-recoveries:

- The co. witnessed FC under-recoveries of INR2.5b for FY20.

One-offs:

- During the quarter, NTPC reported one-offs of INR21.5b. This includes an INR8.9b net impact on tax under the Vivad se Vishwas scheme.

Overdues:

- Overdues for the company have risen and currently stand at INR180b v/s INR96b at the end of FY20.

Renewables:

- The co. further plans to increase its footprint in the Renewable space. ~2.3GW solar projects are under implementation for the co., and it has awarded ~2.1GW projects on an EPC basis.

Flue-gas desulfurization:

- The company plans to install flue-gas desulfurization (FGD) at 64.9GW. Of this, 920MW has been commissioned. 56.7GW has already been awarded, while the remaining ~7GW is under various types of tendering.

Valuation and view

Commercialization picks up pace

- NTPC commercialized 5.3GW of plants in FY20, the highest ever in a single fiscal year. While extended lockdown at the country level could impact upcoming commercialization plans, we note that even if we assume no incremental commercialization, the full benefit of recent additions should aid FY21 PAT by INR9–10b (6–7% of FY20 adj. PAT).
- Moreover, upcoming capacities are incremental units of plants commercialized in FY19/FY20, and most resources have been mobilized. NTPC targets ~5.9GW for commercialization in FY21. Furthermore, while issues related to manpower deployment could hamper execution, the company is confident of achieving at least 4.5GW. We remain conservative and build-in commercialization of 3.6GW in FY21.

Fixed cost under-recoveries to decline

- Muted power demand, coupled with production ramp-up at Coal India's mines, has led to an increase in coal stocks at power plants. This bodes well for NTPC and reduces FC u/r. In 1H, availability at NTPC's plants was impacted by

production issues at Coal India's mines (Talcher, Korba coal fields). However, production at these mines has improved, leading to recovery in coal stocks at these plants.

- For FY20, FC u/r stood at ~INR2.5b (v/s INR8b in FY19). Given the essential nature of the Power Generation business, the movement of coal through rail or road has not been an issue in the current situation. In fact, the current low demand scenario provides an opportunity to cushion itself from any coal-related supply shocks in the near future. We expect FC under-recoveries to remain low.

Regulations lend visibility up to FY24

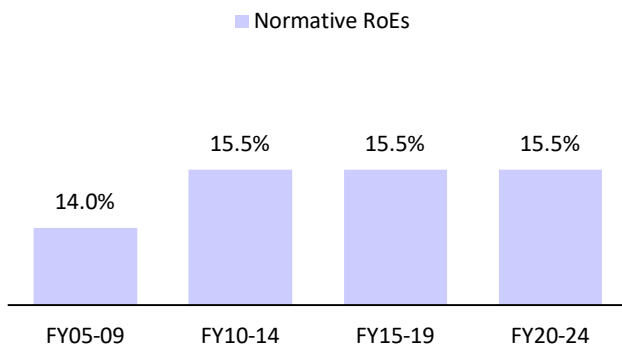
- Tariff regulations for FY20–24 have kept regulated RoE unchanged at 15.5%; this marks the third consecutive five-year period wherein regulators have not tinkered with regulated RoE.
- Besides this, the two-part tariff structure was also retained. This provides strong direction for long-term assured returns.

RoE to improve as capitalization outpaces capex

- With the pickup in capitalization, which was partly hampered due to coal availability issues, we expect a regulated equity CAGR of ~12% over FY20–23. We expect capitalization to outpace capex, which, along with lower u/r, would improve RoE by ~120bps to ~13% by FY23. Earnings in FY21, though, could witness a drop due to the announcement of an INR15.9b rebate. However, this is a one-off in nature, attributed to the disruption caused by COVID-19. The company would offer the rebate in its bills for 1QFY21.

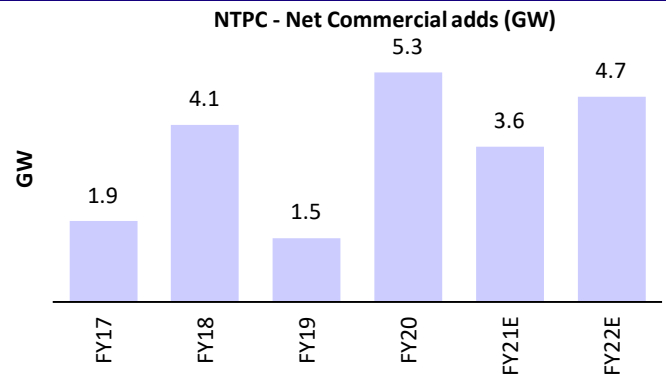
Story in charts

Exhibit 3: New regulations lend visibility to earnings...



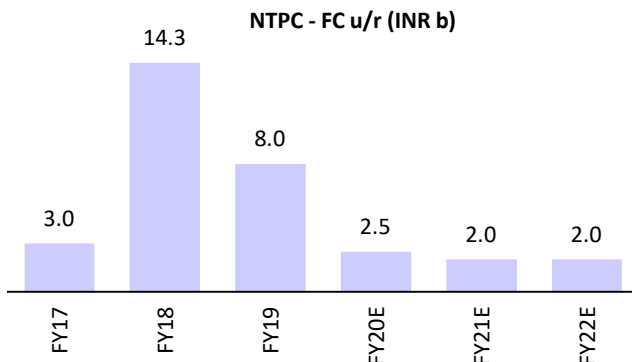
Source: MOFSL, Company

Exhibit 4: ...and the pace of commercialization has picked up...



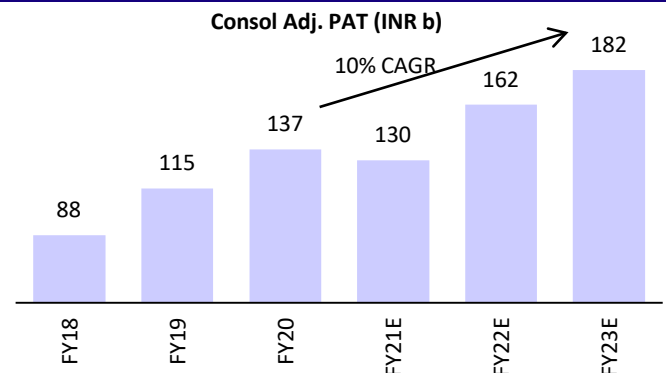
Source: MOFSL, Company

Exhibit 5: ...while fixed cost u/r are declining...



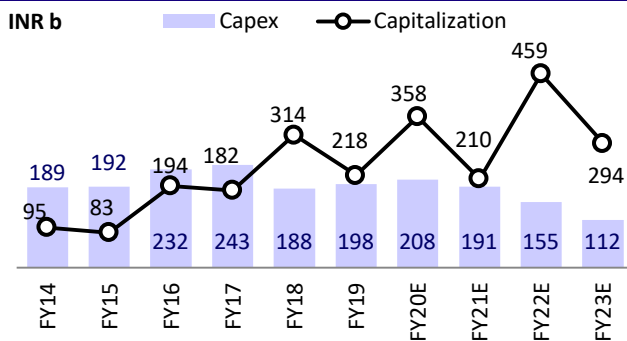
Source: MOFSL, Company

Exhibit 6: ...overall, earnings would witness a 10% CAGR



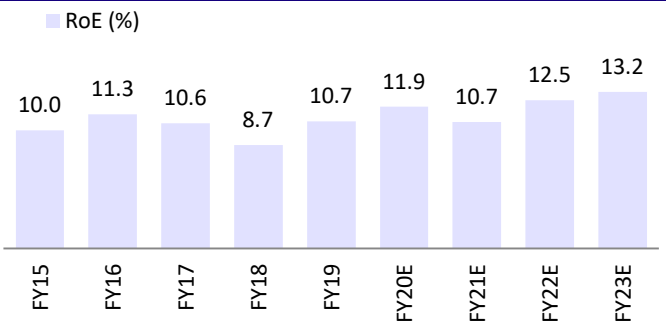
Source: MOFSL, Company

Exhibit 7: Capitalization would outpace capex...



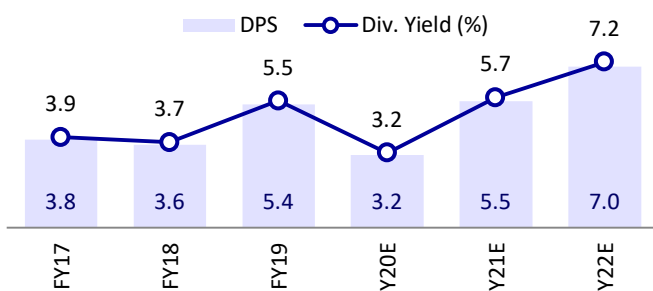
Source: MOFSL, Company

Exhibit 8: ...leading to improvement in RoE



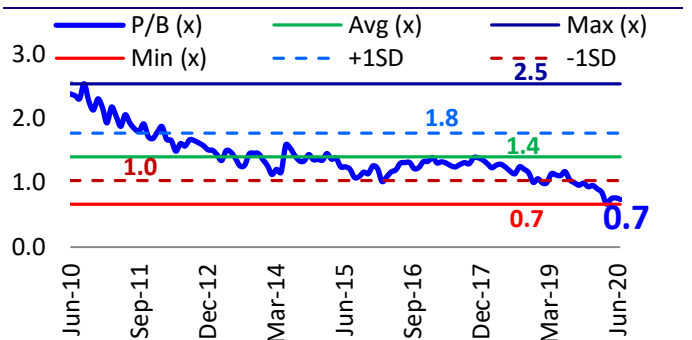
Source: MOFSL, Company

Exhibit 9: Dividend yield remain attractive



Source: MOFSL, Company

Exhibit 10: The stock trades at the lower end of its historical val.



Source: MOFSL, Bloomberg

Financials and valuations

Income Statement							(INR m)	
Y/E Mar	2015	2016	2017	2018	2019	2020	2021E	2022E
Net Sales	806,220	727,055	817,171	877,622	906,369	1,143,361	1,094,299	1,269,137
Change (%)	2.1	-9.8	12.4	7.4	3.3	26.1	-4.3	16.0
EBITDA	171,941	179,569	218,300	229,808	199,086	364,086	351,855	410,841
EBITDA Margin (%)	21.3	24.7	26.7	26.2	22.0	31.8	32.2	32.4
Depreciation	55,646	52,240	60,099	74,599	76,881	103,562	114,424	127,637
EBIT	116,295	127,329	158,201	155,209	122,205	260,524	237,431	283,204
Interest	35,704	33,137	36,511	44,346	52,609	81,169	100,859	110,228
Other Income	20,789	10,576	9,668	15,583	17,953	29,085	22,599	20,012
Extraordinary items	3,182	0	0	0	0	0	0	0
PBT	104,562	104,768	131,358	126,446	87,550	208,441	159,171	192,988
Tax	4,638	-1,628	30,467	25,881	-32,064	93,475	38,138	45,375
Tax Rate (%)	4.4	-1.6	23.2	20.5	-36.6	44.8	24.0	23.5
Min. Int. & Assoc. Share		1,412	6,247	4,451	6,721	4,054	12,403	17,149
Reported PAT	99,924	108,012	107,196	105,440	126,400	116,002	130,419	161,745
Adjusted PAT	84,414	96,957	98,717	87,992	114,614	136,609	130,419	161,745
Change (%)	-7.9	14.9	1.8	-10.9	30.3	19.2	-4.5	24.0

Balance Sheet							(INR m)	
Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
Share Capital	82,455	82,455	82,455	82,455	98,946	98,946	98,946	98,946
Reserves	738,485	809,511	895,926	953,180	1,001,424	1,089,446	1,156,622	1,238,743
Net Worth	820,940	891,965	978,380	1,035,635	1,100,370	1,188,392	1,255,567	1,337,689
Minority Interest	8,879	8,928	8,033	9,478	6,648	33,172	33,172	33,172
Loans	1,022,520	1,120,194	1,137,551	1,300,143	1,616,818	2,004,706	2,019,289	1,979,884
Deferred Tax Liability	12,656	14,094	14,849	24,081	41,997	76,171	76,171	76,171
Capital Employed	1,864,995	2,035,181	2,138,812	2,369,337	2,765,833	3,302,440	3,384,200	3,426,916
Gross Block	1,443,608	1,632,140	1,170,879	1,501,531	1,665,811	2,269,186	2,478,935	2,938,058
Less: Accum. Deprn.	525,077	587,180	125,562	206,147	287,597	391,159	505,583	633,220
Net Fixed Assets	918,530	1,044,959	1,045,317	1,295,385	1,378,214	1,878,028	1,973,352	2,304,838
Capital WIP	675,547	815,497	868,957	820,931	1,067,775	985,085	966,776	662,271
Investments	141	148	78,023	92,515	81,000	93,066	98,923	100,679
Current Assets	601,543	543,886	492,677	534,851	646,976	817,693	815,364	837,374
Inventory	79,725	79,592	65,861	61,403	81,194	111,385	101,115	109,133
Account Receivables	92,499	101,740	89,995	88,122	101,477	203,708	145,114	142,952
Cash and Bank Balance	161,390	57,370	33,015	43,876	27,823	32,143	98,678	114,832
Loans and Advances	190,883	202,075	6,133	6,931	6,727	7,638	7,638	7,638
Others	77,046	103,110	297,674	334,519	429,755	462,819	462,819	462,819
Current Liabilities	330,766	369,310	346,162	374,344	408,131	471,431	470,215	478,245
Payables	71,076	68,266	55,859	67,309	85,658	101,767	100,551	108,581
Other current liabilities	259,690	301,044	290,303	307,035	322,473	369,664	369,664	369,664
Net Working Capital	270,777	174,577	146,515	160,507	238,845	346,262	345,149	359,129
Application of Funds	1,864,995	2,035,181	2,138,812	2,369,337	2,765,833	3,302,440	3,384,200	3,426,916

Financials and valuations

Ratios								
Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
Basic (INR)								
EPS	8.5	9.8	10.0	8.9	11.6	13.8	13.2	16.3
Cash EPS	15.7	16.2	16.9	18.2	20.5	22.2	24.7	29.2
BV/Share	83.0	90.1	98.9	104.7	111.2	120.1	126.9	135.2
DPS	4.6	2.7	3.8	3.6	5.4	3.2	5.5	7.0
Payout (%)	53.9	27.3	38.3	40.5	46.3	22.8	41.7	42.8
Valuation (x)								
P/E	14.2	11.1	9.7	10.9	8.4	7.0	7.4	5.9
Cash P/E	7.7	6.7	5.7	5.3	4.7	4.4	3.9	3.3
P/BV	1.5	1.2	1.0	0.9	0.9	0.8	0.8	0.7
EV/EBITDA	12.0	11.9	9.5	9.6	12.8	8.1	8.2	6.9
Dividend Yield (%)	3.8	2.5	3.9	3.7	5.5	3.2	5.7	7.2
Return Ratios (%)								
EBITDA Margins (%)	21.3	24.7	26.7	26.2	22.0	31.8	32.2	32.4
Net Profit Margins (%)	12.4	14.9	13.1	12.0	13.9	10.1	11.9	12.7
RoE	10.0	11.3	10.6	8.7	10.7	11.9	10.7	12.5
RoIC (Post-tax)	11.2	11.8	10.5	9.6	11.1	7.6	8.2	9.1
RoCE (Post-tax)	7.4	7.2	6.6	6.4	6.7	6.5	6.6	7.6
Working Capital Ratios								
Debtor (Days)	42	51	40	37	41	65	48	41
Inventory (Days)	36	40	29	26	33	36	34	31
Payable (Days)	32	34	25	28	34	32	34	31

Cash Flow Statement							(INR m)	
Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
Profit/(Loss) before Tax	104,562	101,035	137,606	132,417	83,719	222,816	168,556	207,120
Interest	35,286	41,090	35,691	44,160	52,431	80,606	100,859	110,228
Depreciation	55,646	61,534	60,099	74,599	76,881	103,562	114,424	127,637
(Inc)/Dec in WC	-11,694	-36,422	-2,073	-58,298	-72,868	-63,198	67,648	2,174
Tax paid	-20,100	-14,584	-26,263	19,257	-30,390	-36,069	-38,138	-45,375
others	-16,242	1,452	-3,395	-15,508	53,898	-61,885	-22,599	-20,012
CF from Operations	147,459	154,106	201,666	196,627	163,671	245,832	390,751	381,772
Capex	-191,772	-232,470	-243,451	-187,559	-197,548	-180,625	-191,440	-154,617
(Pur)/sale of Invest.	16,391	16,536	3,436	0	0	0		
Acquisition in subs.	0	0	-12,002	-11,531	-40,574	-122,650	-5,857	-1,756
Int. & Div. Income	17,037	9,528	2,707	3,033	1,079	58	22,599	20,012
Others	145	-16,514	-8,262	-42	343	344		
CF from Investments	-158,200	-222,920	-257,573	-196,099	-236,700	-302,873	-174,697	-136,361
Issue of Shares								
Inc/(Dec) in Debt	205,811	80,528	150,466	145,059	224,698	232,572	14,584	-39,405
finance cost	-72,371	-83,473	-75,645	-86,058	-107,672	-133,992	-100,859	-110,228
Dividend (incl. tax)	-148,385	-33,513	-43,269	-48,669	-59,272	-37,751	-54,420	-69,262
Others	200	1,252	0	0	-778	-787		
CF from Fin. Activity	-14,745	-35,206	31,552	10,333	56,976	60,043	-140,696	-218,895
Inc/Dec of Cash	-25,486	-104,021	-24,355	10,861	-16,053	3,002	75,358	26,516
Add: Beginning Balance	186,876	161,390	57,369	33,015	43,876	27,823	30,825	106,183
Closing Balance	161,390	57,369	33,015	43,876	27,823	30,825	106,183	132,699

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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