

## Operationally strong Q4, focus on renewables from here on...

**About the stock:** NTPC is India's largest power generation company with total installed capacity of 66885 MW at the group level. NTPC has 17% of total installed capacity in India with 23% 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

**Q4FY22 Results:** NTPC reported operationally decent Q4FY22 results. In terms of operational performance, generation and energy sold were higher than our estimates led by new capacity addition and better YoY PLFs (higher than national average).

- Reported revenues came in at ₹ 32905 crore vs. our estimate of ₹ 27428.8 crore. The key reason was NTPC reporting higher-than-expected generation and higher-than-expected power trading revenues. Generation during Q4FY22 was at 79.9 billion units vs. expectations of 76.6 billion units, growth of 2.3% YoY. EBITDA came in at ₹ 10120.6. Reported PAT came in at ₹ 5621.9 crore led by better EBITDA and lower effective tax

**What should investors do?** With strong focus on alternate energy spectrum, we believe NTPC may be able to break away from the underperformance of the last decade and be in for a rerating. We maintain our **BUY** rating on the stock.

**Target Price and Valuation:** We value NTPC at ₹ 190 i.e. 1.3x FY24E book value.

### Key triggers for future price performance:

- NTPC has ~1850 MW that has been commercialised while ~3500 MW will come under commissioning in the next 18 months. It is expected to reach a capacity of 10GW by 2026. The company expects to spend ~40% of total capex planned for FY22, FY23 on renewable projects

- Alternate Stock Idea:** Besides NTPC, we like Indian Energy Exchange (IEX), the premier electricity exchange in India facilitating electricity trading. IEX commands market share of ~95% in the power exchange market.
- We value IEX at ₹ 305 i.e. 57x P/E on FY24E EPS



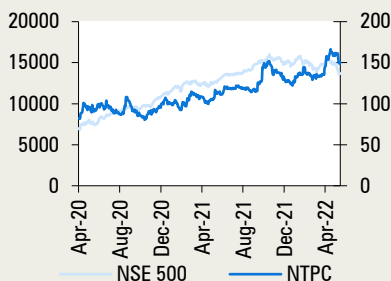
### Particulars

Particulars	Amount
Market Capitalisation	₹145400 Crore
Debt (FY 22)	₹170500Crore
Cash (FY 22)	₹2438 Crore
EV	₹304542 Crore
52 week H/L	₹167/88
Equity capital	₹9696.7 Crore
Face value	₹10

### Shareholding pattern

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Promoters	-	-	-	-	-
FII	31.3%	30.2%	29.6%	36.8%	36.7%
DII	33.8%	35.1%	36.6%	27.9%	25.5%
Others	35.0%	34.7%	33.8%	35.3%	37.8%

### Price Chart



### Recent event & key risks

- Capacity under construction of 17 GW
- Key Risk:** (i) Muted economic recovery to keep blended PLFs lower, ii) Delay in capacity addition in solar space

### Research Analyst

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### Key Financial Summary

Key Financials	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Net Sales	97,700.4	99,206.7	1,16,137.3	8.9%	1,21,809.8	1,36,427.0	8.4%
EBITDA	27,092.7	28,803.4	33,845.7	11.8%	36,101.5	41,406.7	10.6%
EBITDA Margins (%)	27.7	29.0	29.1		29.6	30.4	
Net Profit	10,112.8	13,769.5	16,111.4	8.3%	17,605.0	19,775.3	10.8%
EPS (₹)	10.2	13.9	16.3		17.8	20.0	
P/E	14.7	10.8	9.2		8.4	7.5	
RoNW (%)	8.9	11.5	12.6		12.9	13.5	
RoCE (%)	4.8	5.8	5.4		5.5	6.3	

## Key takeaways of recent quarter & conference call highlights

### Q4FY22 Results: Operationally strong Q4, focus on renewables from here on

- Reported revenues came in at ₹ 32905 crore vs. our estimate of ₹ 27428.8 crore. The key reason was NTPC reporting higher than expected generation and higher than expected power trading revenues. On the operational parameter front, generation during Q4FY22 was at 79.9 billion units vs. expectations of 76.6 billion units, implying growth of 2.3% YoY. On the other hand, energy sold was higher than estimates at 73.9 billion units. PLFs of coal plants were at 76.1% vs. 67.64% in Q4FY21. As of Q4FY22, the commercial capacity and installed capacity were at 54596 MW each
- The company commissioned capacity to the tune of 2871 MW and 3811 MW on a standalone and consolidated, respectively
- On the coal mining side, NTPC has mined coal to the tune of 13.61 million tonne (MT) in FY22 vs. 9.5 MT mined in FY21. On other hand, gas consumption was at 0.14 mmscmd vs. 1.2 mmscmd YoY
- EBITDA came in at ₹ 10120.6 crore, above our estimate of ₹ 6841.1 crore. The beat mainly came from operational income and lower than-expected-other expenses. Reported PAT came in at ₹ 5621.9 crore, led by better EBITDA and lower effective tax rate

### Q4FY22 Earnings Conference Call highlights

- The company commercialised capacity to the tune of 4032 MW in FY22. The installed and commercial capacity as of Q4FY22 for NTPC were at 54596 MW capacity. Going ahead, NTPC expects to add ~5000 MW in FY23E and ~6000 MW in FY24E
- The company currently has 1850 MW of renewable projects under operation. Projects worth ~3500 MW will come under commissioning in the next 18 months while 2800 MW worth of projects are in the tendering stage. NTPC expects to spend ~40% of total capex planned for FY22, FY23 on renewable projects. This share is going to further increase beyond FY25, which indicates very strong addition in renewable portfolio from FY24 onwards
- The company has incurred a capex of ₹ 21035 crore and ₹ 34490 crore in standalone and consolidated basis, respectively. For FY23, NTPC expects to spend ₹ 22454 crore. On renewable side, NTPC is likely to spend ₹ 8000 crore
- NTPC has produced 14.1 MT of coal from its three coal mines vs. 11 million tonne in FY21. Cumulatively, the company has incurred a capex of ₹ 7963 crores till FY22. NTPC expects to ramp up production to 26 MT in FY23
- The average cost of debt in FY22 was at 5.94% vs. 6.24% in FY21.
- The regulated equity for FY22 was at ₹ 70890 crore and ₹ 91054 crore on a standalone and consolidated basis, respectively. The company expects RE to grow in double digits
- The profit of the various subsidiaries of NTPC was at ₹ 1946 crore vs. ₹ 1737 crore
- As of now, FGD systems capex on a cumulative basis was at ₹ 29300 crore. The capex for the same is pegged at ₹ 3400 crore and ₹ 4000 crore for FY23 and FY24, respectively
- The company will incrementally up put coal based power plants of 6000 MW in the next three to four years
- The management is of the view that equity IRR will be in the range of 11-12% on solar assets

**Exhibit 1: Variance Analysis**

	Q4FY22	Q4FY22E	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	Comments
Energy sales net	32,905.0	27,428.8	26,566.9	23.9	28,864.8	14.0	Revenues were above estimates
Other operating income	0.0	0.0	0.0	-	0.0	-	
Total Income	32,905.0	27,428.8	26,566.9	23.9	28,864.8	14.0	
Fuel	18,767.6	16,853.3	16,418.8	14.3	16,430.9	14.2	
G&A	2,646.0	2,688.0	2,618.8	1.0	2,045.5	29.4	Other expenses were lower than estimates
Employee expense	1,370.9	1,042.3	1,021.5	34.2	1,326.5	3.3	
Total expenses	22,784.5	20,583.6	20,059.1	13.6	19,802.9	15.1	
EBITDA	10,120.6	6,845.1	6,507.8	55.5	9,061.9	11.7	EBITDA was higher on account of higher income and lower other expenses.
EBITDA Margin (%)	30.8	25.0	24.5	626 bps	31.4	-64 bps	
Depreciation	2,945.9	2,900.0	2,797.2	5.3	2,891.4	1.9	
Interest	1,912.2	1,650.0	1,594.3	19.9	1,733.8	10.3	
Other Income	1,225.0	1,650.0	1,673.0	(26.8)	972.3	26.0	
PBT	6,627.3	3,888.1	3,496.8	89.5	5,352.0	23.8	
Total Tax	1,005.4	777.6	-982.4	(202.3)	1,220.0	(17.6)	
Adjusted PAT	5,621.9	3,110.5	4,479.2	25.5	4,132.0	36.1	PAT was higher on account of better operations

Key Metrics							
Generation (Crore units)	7,992.4	7,660.6	7,763.0	3.0	7,270.0	9.9	Generation was better than industry average and our estimates
Sales (Crore units)	7,392.7	7,124.4	7,219.7	2.4	6,764.1	9.3	
Tariff rate (₹Kwh)	4.5	3.9	3.7	21.0	4.3	4.3	

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

(₹Crore)	FY 23E			FY 24E		
	Old	New	% Change	Old	New	% change
Revenue	1,21,809.8	1,21,809.8	0.0	1,36,427.0	-	-
EBITDA	35,197.1	36,101.5	2.6	41,406.7	-	-
EBITDA Margin (%)	28.9	29.6	74 bps	30.4	-	-
PAT	15,928.2	17,605.0	10.5	19,775.3	-	-
EPS (₹)	16.1	17.8	10.5	20.0	-	-

Source: ICICI Direct Research

## Financial Summary

Exhibit 3: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Total operating Income	99,207	1,16,137	1,21,810	1,36,427
Growth (%)	2	17	5	12
Raw Material Expenses	55,881	67,614	70,191	78,614
Employee Expenses	4,942	5,290	5,660	6,056
Other expenses	9,580	9,388	9,858	10,350
Total Operating Expend	70,403	82,292	85,708	95,020
EBITDA	28,803	33,846	36,102	41,407
Growth (%)	10	24	10	23
Depreciation	10,412	11,234	12,790	14,325
Interest	7,459	7,351	8,527	9,550
Other Income	4,346	3,905	4,000	4,000
PBT	15,279	19,166	18,785	21,532
Others	416	1,312	3,500	3,500
Total Tax	1,925	4,366	4,680	5,257
PAT	13,770	16,111	17,605	19,775
Adjusted PAT	13,770	16,111	17,605	19,775
Growth (%)	36	17	9	12
EPS (₹)	13.9	16.3	17.8	20.0

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Profit Before Tax	13,770	16,111	17,605	19,775
Add: Depreciation	10,412	11,234	12,790	14,325
(Inc)/dec in Current Asset	13,104	-11,869	-2,231	-10,313
Inc/(dec) in CL and Provis	3,036	5,944	1,708	4,656
Others	7,459	7,351	8,527	9,550
CF from operating activitie	15,500	40,621	39,444	49,307
(Inc)/dec in Investments	4,246	27,739	15,000	10,000
(Inc)/dec in Fixed Assets	-21,000	-20,000	-20,000	-20,000
Others	0	0	0	0
CF from investing activitie	-16,754	7,739	-5,000	-10,000
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	54,164	29,015	11,706	16,819
Dividend paid & dividend t	-7,064	-8,041	-8,615	-9,764
Inc/(dec) in Sec. premium	3	3	3	3
Others	-7,459	-7,351	-8,527	-9,550
CF from financing activitie	39,644	13,627	-5,433	-2,491
Net Cash flow	-6,522	-2,454	1,000	1,000
Opening Cash	10,145	3,624	1,170	2,170
Closing Cash	3,624	1,170	2,170	3,170

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
<b>Liabilities</b>				
Equity Capital	9,895	9,895	9,895	9,895
Reserve and Surplus	1,10,026	1,18,096	1,27,086	1,37,098
Total Shareholders fund	1,19,920	1,27,991	1,36,981	1,46,993
Total Debt	1,64,089	1,72,294	1,80,909	1,89,954
AAD	1,947	1,947	1,947	1,947
Minority Interest / Other	1,152	1,152	1,152	1,152
Total Liabilities	2,87,108	3,03,383	3,20,988	3,40,045
<b>Assets</b>				
Gross Block	2,78,995	2,98,995	3,18,995	3,38,995
Less: Acc Depreciation	90,897	95,919	95,919	96,432
Net Block	1,88,098	2,03,076	2,23,076	2,42,563
Capital WIP	63,067	58,067	53,067	48,067
Total Fixed Assets	2,51,164	2,61,143	2,76,143	2,90,629
Investments	12,293	12,293	12,293	12,293
Inventory	10,561	12,344	12,856	14,253
Debtors	12,897	14,517	13,399	15,007
Loans and Advances	29,762	34,841	36,543	40,928
Other Current Assets	19,841	23,227	24,362	27,285
Cash	3,624	1,170	2,170	3,170
Total Current Assets	76,684	86,099	89,330	1,00,643
Creditors	10,561	12,344	12,856	14,253
Other Liabilities	24,641	28,802	29,998	33,257
Provisions	7,466	7,466	7,466	7,466
Total Current Liabilities	42,668	48,612	50,320	54,976
Net Current Assets	34,016	37,487	39,009	45,667
Others Assets	0	0	0	1
Application of Funds	2,87,108	3,05,193	3,19,403	3,38,946

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
<b>Per share data (₹)</b>				
EPS	13.9	16.3	17.8	20.0
Cash EPS	24.4	27.6	30.7	34.5
BV	121.2	129.4	138.4	148.6
DPS	6.2	7.0	7.5	8.5
Cash Per Share	3.7	1.2	2.2	3.2
<b>Operating Ratios (%)</b>				
EBITDA Margin	29.0	29.1	29.6	30.4
PBT / Total Operating inco	15.4	16.5	15.4	15.8
PAT Margin	13.9	13.9	14.5	14.5
Inventory days	69.0	66.6	66.9	66.2
Debtor days	47.5	45.6	40.2	40.2
Creditor days	10.1	10.1	10.1	10.1
<b>Return Ratios (%)</b>				
RoE	11.5	12.6	12.9	13.5
RoCE	5.8	5.4	5.5	6.3
RoIC	5.9	5.5	5.6	6.4
<b>Valuation Ratios (x)</b>				
P/E	10.8	9.2	8.4	7.5
EV / EBITDA	10.7	9.4	9.1	8.1
EV / Net Sales	3.1	2.8	2.7	2.5
Market Cap / Sales	1.5	1.3	1.2	1.1
Price to Book Value	1.2	1.2	1.1	1.0
<b>Solvency Ratios</b>				
Debt/EBITDA	5.7	5.1	5.0	4.6
Debt / Equity	1.4	1.3	1.3	1.3
Current Ratio	2.2	2.1	2.1	2.1
Quick Ratio	0.1	0.0	0.1	0.1

Source: Company, ICICI Direct Research

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Buy: >15%

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Reduce: -15% to -5%;

Sell: <-15%



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