

Reasonable quarter with gradual uptick in economy...

NTPC reported operationally decent Q2FY21 results amid challenging times. In the wake of gradual opening up of economic activity, the company posted better plant load factor (PLF) data vis-à-vis industry average and, hence, in generation. The company has taken an exceptional hit in terms of one-time rebate allowed to SEBs. NTPC has also announced a buyback worth ₹ 2275 crore where the company will buy back at a price of ₹ 115/share.

Opening up of economy leads to better operational results...

Reported revenues came in at ₹ 24677.1 crore up 8.4% YoY. This was in line with our expectations. Generation came in to the tune of 67.6 billion units (BUs) in Q2FY21 vs. expectations of 67.3 BUs. On the other hand, energy sold came in 62.8 BUs vs. expectations of 62.6 BUs. PLFs of coal plants were at 64.3% in Q2FY21 vs. 58.2% in Q1FY21. As of Q2FY21, commercial capacity was at 50355 MW whereas installed capacity was at 51155 MW. The company has also made strong progress on the coal mining side as it expects to mine 15 million tonnes (MT) in FY21. The management has charted out a strong capacity addition programme over FY21E-23E whereby it expects to commission projects of 5000-6000 MW every year over the next three to four years.

Overdue receivables from discoms still elevated

Receivables overdue amount from discoms were at ₹ 19164 crore in Q2FY21 vs. ₹ 16400 crore in Q1FY21. The management expects to bring it down to ₹ 160000 crore by FY21 end. The reduction in overdue will be led by receipt of payment from Karnataka discom (₹ 2500 crore) and from the disbursement under the Atmanirbhar scheme by PFC, REC (₹ 5000 crore). The major debtor states, union territories for NTPC are Uttar Pradesh (₹ 4400 crore), Jammu & Kashmir (₹ 3700 crore) and Karnataka (₹ 3000 crore).

Strong focus on adding renewable capacity from FY22E onwards

NTPC has, till date, commissioned 1070 MW of renewable capacity while another 2404 MW capacity is under the implementation stage. Furthermore, 2088 MW capacities are in the tendering stage. NTPC aims to add 30 GW of renewable capacity by 2030 in its portfolio. The management categorically denied any capex in coal assets and incremental capacities would come in the renewable space.

Valuation & Outlook

Deceleration in coal capacity addition and strong focus on augmenting renewables portfolio is likely to pan out post FY23E. We will still prefer to remain on the sidelines on how the strategy of renewables business shapes up. Till then, we maintain **HOLD** with a revised target price of ₹ 88/share.

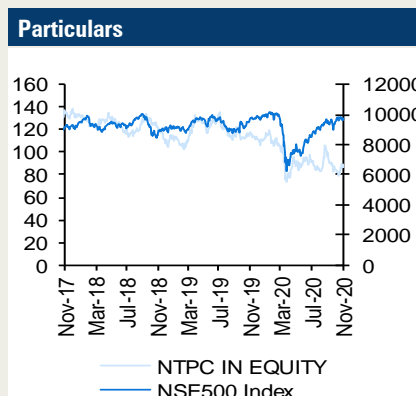
Key Financial Summary

(₹ Crore)	FY19	FY20	FY21E	FY22E	CAGR (FY20-22E)
Net Sales	90507	97700	97805	107477	5%
EBITDA	22971	27093	25932	28141	2%
Net Profit	10766	10113	12545	13077	14%
EPS (₹)	12.1	10.2	12.7	13.7	
PE (x)	8.0	9.5	7.7	7.1	
EV/EBITDA (x)	9.7	9.1	10.0	9.6	
P/BV (x)	0.9	0.8	0.8	0.7	
RoNW (%)	11.2	8.9	10.4	10.2	
RoCE (%)	5.8	4.8	5.7	5.3	

Source: Company, ICICI Direct Research



Particulars	Amount
Market Capitalisation	₹86240 Crore
Debt (FY 20)	₹152000 Crore
Cash (FY 20)	₹4406 Crore
EV	₹233834 Crore
52 week H/L	₹125/74
Equity capital	₹9895 Crore
Face value	₹10



Key Highlights

- Generation came in to the tune of 67.6 billion units in Q2FY21 vs. expectation of 67.3 billion units
- NTPC expects 5000-6000 MW of capacity every year for next three to four years
- Maintain HOLD rating with target price of ₹ 88

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Exhibit 1: Variance Analysis

	Q2FY21	Q2FY21E	Q2FY20	YoY (%)	Q1FY21	QoQ (%)	Comments
Energy sales net	24,677.1	25,962.4	22,764.6	8.4	23,453.5	5.2	Revenues in line with estimates
Other operating income	0.0	0.0	0.0	-	0.0	-	
Total Income	24,677.1	25,962.4	22,764.6	8.4	23,496.4	5.0	
Fuel	13,728.4	14,059.2	13,481.1	1.8	12,368.9	11.0	Fuel cost lower than expected
G&A	2,418.9	2,077.0	1,800.2	34.4	2,051.7	17.9	Higher expenses lead to EBITDA falling short of expectations
Employee expense	1,346.5	1,298.1	1,137.2	18.4	1,287.8	4.6	
Total expenses	17,493.7	17,434.3	16,418.4	6.5	15,708.4	11.4	
EBITDA	7,183.4	8,528.1	6,346.2	13.2	7,745.1	(7.3)	
EBITDA Margin (%)	29.1	32.8	27.9	123 bps	33.0	-391 bps	
Depreciation	2,529.4	2,700.0	2,123.1	19.1	2,529.7	(0.0)	
Interest	1,772.8	2,150.0	1,619.0	9.5	2,082.5	-14.9	
Other Income	1,346.2	550.0	893.7	50.6	567.5	137.2	
PBT	4,013.8	5,030.7	4,365.5	(8.1)	4,502.9	(10.9)	
Extraordinary expenses	326.2	326.2	326.2	NA	326.2	NA	
Extraordinary Income	326.2	326.2	326.2	0.0	326.2	0.0	
Total Tax	509.0	1,099.3	1,103.0	(53.9)	1,230.2	(58.6)	
Adjusted PAT	3,504.8	3,128.8	3,262.4	7.4	2,470.2	41.9	PAT higher on account of higher other income, lower interest and depreciation expense

Key Metrics

Generation (Crore units)	6,767.4	6,726.9	6,164.0	9.8	6,018.5	12.4	Generation better than industry average
Sales (Crore units)	6,286.6	6,256.0	5,681.4	10.7	5,584.5	12.6	
Tariff rate (₹/Kwh)	3.9	4.2	4.0	(2.0)	4.2	(6.5)	

Source: Company, ICICI Direct Research

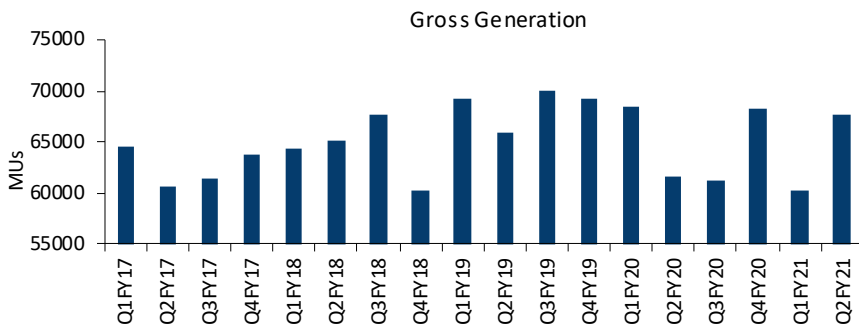
Exhibit 2: Change in estimates

(₹Crore)	FY21E			FY22E		
	Old	New	% Change	Old	New	% change
Revenue	99,140.3	97,805.0	(1.3)	-	107,476.0	-
EBITDA	25,606.0	25,932.0	1.3	-	28,141.4	-
EBITDA Margin (%)	25.8	26.5	69 bps	-	26.2	-
PAT	12,237.0	12,544.0	2.5	-	13,077.3	-
EPS (₹)	12.4	12.7	2.7	-	13.7	-

Source: Company, ICICI Direct Research

Key Charts

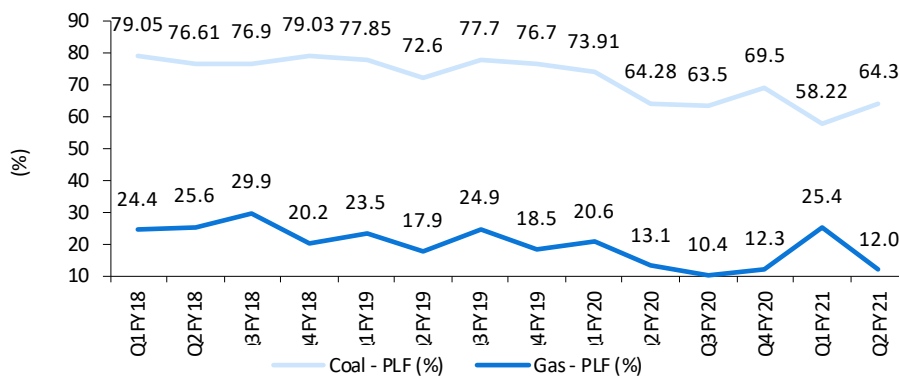
Exhibit 3: Trend in gross generations



Gross generation up 9.8% YoY at 67.6 billion units in Q2FY21

Source: Company, ICICI Direct Research

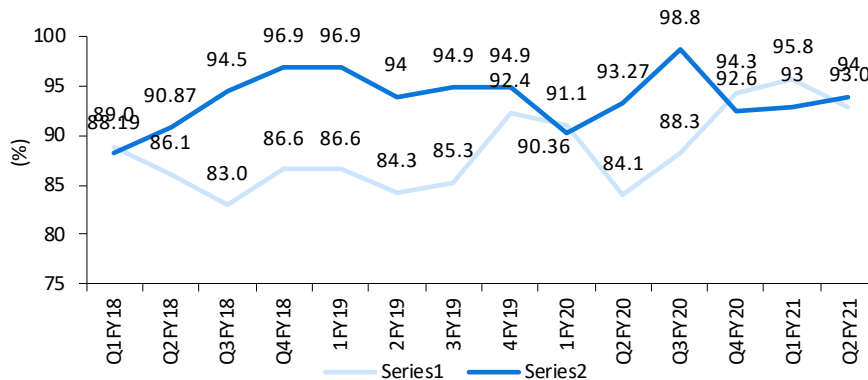
Exhibit 4: Trend in PLFs of coal and gas based stations



PLF at 64.3% with that of gas based plants at 12%

Source: Company, ICICI Direct Research

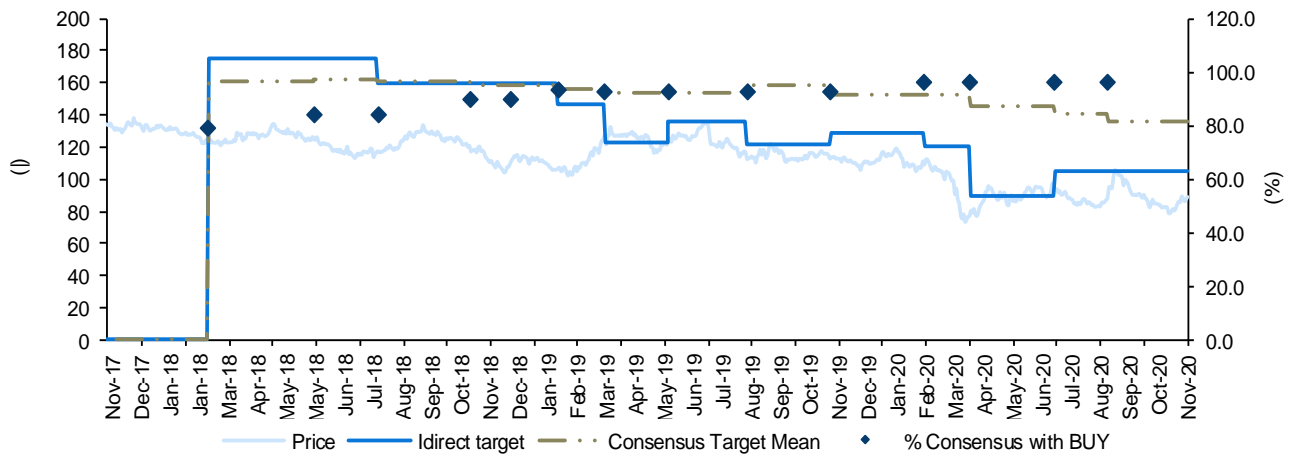
Exhibit 5: Trend in plant availability factor (PAF)



Plant availability factor (PAF) for Q2FY21 at 94%

Source: Company, ICICI Direct Research

Exhibit 6: Recommendation history vs Consensus



Source: Company, ICICI Direct Research

Exhibit 7: Top 10 Shareholders

Rank	Investor Name	Filing Date	% O/S	Position (%)	Change
1	Government Of India	30-Jun-20	51.1	5,057.70m	9.60m
2	Life Insurance Corp	30-Jun-20	10.8	1,069.81m	34.30m
3	Icici Prudential Ass	30-Sep-20	7.5	746.32m	(0.72)m
4	Hdfc Asset Managemen	30-Sep-20	4.5	440.12m	(9.63)m
5	Reliance Capital Tru	2-Nov-20	3.3	322.32m	5.44m
6	Cpse Etf	30-Jun-20	3.1	308.01m	0.00m
7	Sbi Funds Management	30-Sep-20	1.3	125.77m	4.24m
8	50 Sbi-Etf Nifty	30-Jun-20	1.2	121.18m	0.00m
9	T Rowe Price Group I	30-Sep-20	1.1	110.58m	(0.49)m
10	T. Rowe Price Intl S	30-Jun-20	1.1	108.46m	0.00m

Source: Company, ICICI Direct Research

Exhibit 8: Shareholding Pattern

(in %)	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Promoter	54.5	54.1	51.1	51.1	51.0
FII	12.1	12.8	12.6	11.4	11.4
DII	30.8	30.6	33.6	34.6	35.0
Others	2.6	2.5	2.7	2.9	2.6

Source: Company, ICICI Direct Research

Financial summary

Exhibit 9: Profit and loss statement				
	₹ crore			
(Year-end March)	FY19	FY20E	FY21E	FY22E
Total operating Income	90,507	97,700	97,805	1,07,477
Growth (%)	8	8	0	10
Raw Material Expenses	55,207	57,018	57,246	63,591
Employee Expenses	4,780	4,926	5,270	5,639
Other expenses	7,549	8,664	9,357	10,105
Total Operating Expend	67,536	70,608	71,873	79,335
EBITDA	22,971	27,093	25,932	28,141
Growth (%)	7	25	-7	10
Depreciation	7,254	8,623	9,272	10,191
Interest	4,717	6,782	4,880	5,364
Other Income	1,872	2,778	2,100	2,100
PBT	12,873	14,466	13,879	14,686
Others	-3,841	4,829	2,000	2,000
Total Tax	-2,919	9,182	3,335	3,609
PAT	11,950	10,113	12,545	13,077
Adjusted PAT	10,766	10,113	12,545	13,077
Growth (%)	10	-6	24	4
EPS (₹)	12.1	10.2	12.7	13.7

Source: Company, ICICI Direct Research

Exhibit 10: Cash flow statement				
	₹ crore			
(Year-end March)	FY19	FY20E	FY21E	FY22E
Profit Before Tax	11,950	10,113	12,545	13,577
Add: Depreciation	7,254	8,623	9,272	5,022
(Inc)/dec in Current Asset	-16,216	-17,884	13,893	-7,212
Inc/(dec) in CL and Provis	14,986	-2,297	3,771	3,731
Others	4,717	6,782	4,880	5,364
CF from operating activitie	22,690	45,698	9,033	27,444
(Inc)/dec in Investments	21,509	-10,503	4,246	27,739
(Inc)/dec in Fixed Assets	-25,000	-30,000	-21,000	-20,000
Others	0	0	0	0
CF from investing activitie	-3,491	-40,503	-16,754	7,739
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	20,041	40,053	54,164	33,543
Dividend paid & dividend t	-6,892	-3,733	-5,169	-5,743
Inc/(dec) in Sec. premium	1	2	3	3
Others	-4,717	-6,782	-4,880	-5,364
CF from financing activitie	8,433	29,540	44,118	22,439
Net Cash flow	-15,000	-15,000	-3,987	-3,000
Opening Cash	23,906	25,145	10,145	6,159
Closing Cash	8,906	10,145	6,159	3,159

*calculated, Source: Company, ICICI Direct Research

Exhibit 11: Balance sheet				
	₹ crore			
(Year-end March)	FY19	FY20E	FY21E	FY22E
Liabilities				
Equity Capital	9,895	9,895	9,895	9,895
Reserve and Surplus	96,941	1,03,320	1,10,696	1,18,530
Total Shareholders fun	1,06,835	1,13,215	1,20,591	1,28,425
Total Debt	1,35,074	1,60,588	1,68,617	1,77,048
AAD	1,947	1,947	1,947	1,947
Minority Interest / Other	1,152	1,152	1,152	1,152
Total Liabilities	2,45,008	2,76,902	2,92,307	3,08,572
Assets				
Gross Block	2,27,995	2,57,995	2,78,995	2,98,995
Less: Acc Depreciation	71,863	80,485	89,758	94,779
Net Block	1,56,132	1,77,509	1,89,237	2,04,215
Capital WIP	90,806	73,067	63,067	58,067
Total Fixed Assets	2,46,938	2,50,576	2,52,304	2,62,282
Investments	12,293	12,293	12,293	12,293
Inventory	7,988	10,732	10,781	11,900
Debtors	8,434	15,668	12,689	13,946
Loans and Advances	23,660	40,264	29,281	32,183
Other Current Assets	28,199	19,501	19,521	21,455
Cash	8,906	10,145	6,159	3,159
Total Current Assets	77,188	96,310	78,430	82,643
Creditors	10,350	9,650	10,781	11,900
Other Liabilities	24,150	22,516	25,156	27,767
Provisions	7,429	7,466	7,466	7,466
Total Current Liabilities	41,929	39,632	43,403	47,134
Net Current Assets	35,259	56,679	35,027	35,509
Others Assets	0	0	0	0
Application of Funds	2,45,008	2,76,902	2,92,307	3,08,572

Source: Company, ICICI Direct Research

Exhibit 12: Key ratios				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
Per share data (₹)				
EPS	12.1	10.2	12.7	13.7
Cash EPS	19.4	18.9	22.0	23.5
BV	108.0	114.4	121.9	129.8
DPS	6.0	3.3	4.5	5.0
Cash Per Share	10.8	12.3	6.2	3.2
Operating Ratios (%)				
EBITDA Margin	25.4	27.7	26.5	26.2
PBT / Total Operating inco	14.2	14.8	14.2	13.7
PAT Margin	13.2	10.4	12.8	12.2
Inventory days	52.8	68.7	68.7	68.3
Debtor days	34.0	58.5	47.4	47.4
Creditor days	8.1	9.1	10.1	10.1
Return Ratios (%)				
RoE	11.2	8.9	10.4	10.2
RoCE	5.8	4.8	5.7	5.3
RoIC	6.0	5.0	5.8	5.4
Valuation Ratios (x)				
P/E	7.2	8.5	6.9	6.3
EV / EBITDA	9.2	8.7	9.6	9.2
EV / Net Sales	2.3	2.4	2.5	2.4
Market Cap / Sales	1.0	0.9	0.9	0.8
Price to Book Value	0.8	0.8	0.7	0.7
Solvency Ratios				
Debt/EBITDA	5.9	5.9	6.5	6.3
Debt / Equity	1.3	1.4	1.4	1.4
Current Ratio	2.2	3.0	2.2	2.1
Quick Ratio	0.3	0.3	0.2	0.1

Source: Company, ICICI Direct Research

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Sell: <-15%



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