

## Capacity addition plans on track...

NTPC reported an operationally decent set of Q3FY21 numbers. In terms of operational performance, generation and energy sold were higher than estimates, which led to revenues and PAT beat for the quarter. The company is well on track to achieve its guidance of commercial capacity addition and has forecasted a higher number for FY22 as well. It also announced an interim dividend of ₹ 3/share.

## Reasonably placed to meet commercial capacity addition target

During 9MFY21, the company on a consolidated basis added capacity to the tune of ~2800 MW. NTPC is confident of achieving commercial capacity addition of 5074 MW. In FY22, the company is striving to add capacities to the tune of 6000 MW. Reported revenues came in at ₹ 24509.3 crore vs. estimate of ₹ 2355.4 crore. The key reason for the beat was higher than expected generation during Q3FY21 at 65.4 billion units vs. expectations of 61.7 billion units. On the other hand, energy sold was also higher than estimates at 60.7 BUs vs. 57.5 billion units. PLFs of coal plants were at 64.3% flat QoQ. As of Q3FY21, commercial capacity was at 51170 MW whereas the installed capacity was at 51170 MW.

## Other key conference call highlights

The other key concall highlights include a) receivables greater than 45 days has reduced from ₹ 19164 crore in September 2020 to ₹ 16720 crore as of December 2020 on account of overdues from SEB's, b) Capex done on coal mining projects was at ₹ 7513 crore, c) overall capex for FY21 is pegged at ₹ 21000 crore, d) fixed cost under recovery was at ₹ ~570 crore.

## Pure focus on renewables

The company aims to have 30 GW of renewable capacity by FY30-FY32 and has been bidding aggressively for renewables projects. For instance, NTPC has set new record of low tariff at ₹ 1.99/kWHR in the recent auction and is quite confident of making equity IRRs in 11-12% range. Also, NTPC has no plans of putting any new coal based capacities in the future.

## Valuation & Outlook

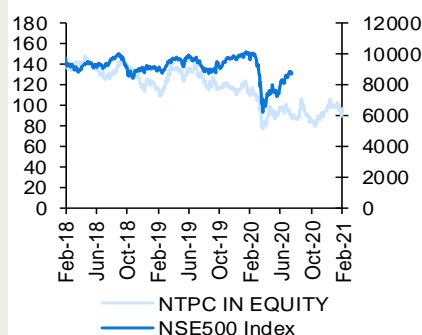
The message of the company is clear with expectation to focus on augmenting renewables capacity in a profitable and aggressive manner in the future. We would still wait for some time to see the execution capability on the renewable side before turning into buyers. Hence, we believe the stock will consolidate in a range. Till then, we maintain **HOLD** rating with a target price of ₹ 105 (₹ 88 earlier), valued at 0.75x FY23E book value.



### Particulars

Particulars	Amount
Market Capitalisation	₹98005 Crore
Debt (FY 20)	₹152000 Crore
Cash (FY 20)	₹4406 Crore
EV	₹245599 Crore
52 week H/L	₹146/72
Equity capital	₹9895 Crore
Face value	₹10

### Price Performance



### Key risk to our call

- Higher than expected capacity addition in FY22 in the thermal space
- Muted economic recovery will keep the blended PLFs lower
- Aggressive capacity addition in the solar space can lead to rerating of the stock

### Research Analyst

Chirag J Shah  
shah.chirag@icicisecurities.com

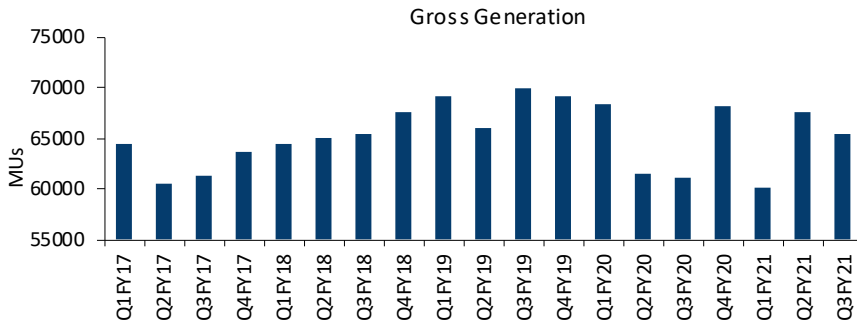
### Key Financial Summary

(₹Crore)	FY20	FY21E	FY22E	FY23E	CAGR (FY21-23E)
Net Sales	97700	97805	107477	116595	9%
EBITDA	27093	25932	28141	28141	8%
Net Profit	10113	13256	14104	15462	8%
EPS (₹)	10.2	13.4	14.7	15.6	
PE (x)	9.7	7.4	6.7	6.3	
EV/EBITDA (x)	9.2	9.8	9.6	9.7	
P/BV (x)	0.9	0.8	0.8	0.7	
RoNW (%)	8.9	10.9	10.8	11.1	
RoCE (%)	4.8	5.7	5.3	5.5	

Source: Company, ICICI Direct Research

Key Charts

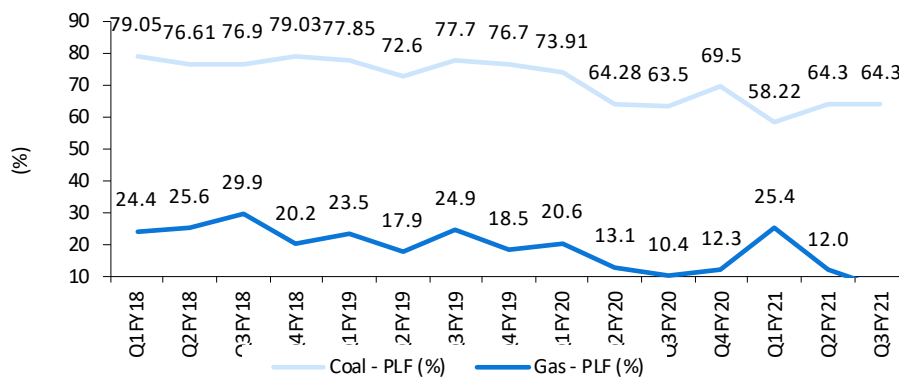
Exhibit 1: Trend in gross generations



Gross generation was up 6.8% YoY at 65.4 billion units in Q3FY21.

Source: Company, ICICI Direct Research

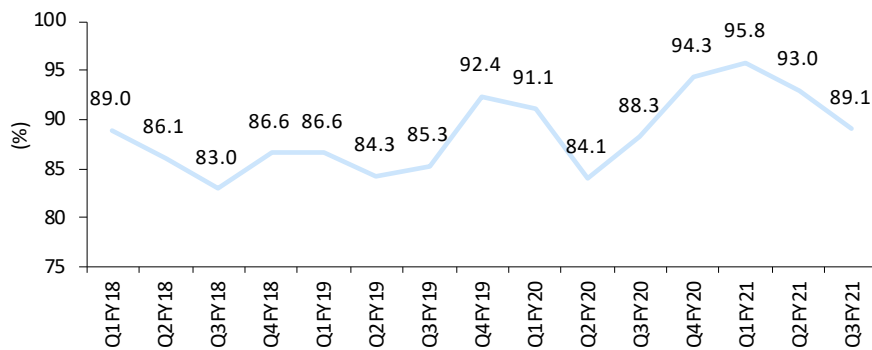
Exhibit 2: Trend in PLFs of coal and gas based stations



NTPC's PLF was at 64.3% while that of the gas based plants stood at 6.8%

Source: Company, ICICI Direct Research

Exhibit 3: Trend in plant availability factor (PAF)



The plant availability factor (PAF) for Q3FY21 at 89.1%

Source: Company, ICICI Direct Research

## Financial summary

Exhibit 4: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Total operating Income	97,700	97,805	1,07,477	1,16,595
Growth (%)	8	0	10	8
Raw Material Expenses	57,018	57,246	63,591	68,996
Employee Expenses	4,926	5,270	5,639	6,034
Other expenses	8,664	9,357	10,105	11,116
Total Operating Expend	70,608	71,873	79,335	86,146
EBITDA	27,093	25,932	28,141	30,449
Growth (%)	25	-7	10	11
Depreciation	8,623	9,272	10,191	11,057
Interest	6,782	4,880	5,364	5,820
Other Income	2,778	3,000	3,400	3,500
PBT	14,466	14,779	15,986	17,072
Others	4,829	2,000	2,000	2,500
Total Tax	9,182	3,524	3,882	4,110
PAT	10,113	13,256	14,104	15,462
Adjusted PAT	10,113	13,256	14,104	15,462
Growth (%)	-6	31	6	10
EPS (₹)	10.2	13.4	14.7	15.6

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit Before Tax	10,113	13,256	14,604	15,462
Add: Depreciation	8,623	9,272	10,191	11,057
(Inc)/dec in Current Asset	-17,884	9,013	-4,478	36,537
Inc/(dec) in CL and Provis	-2,297	3,771	3,731	-23,905
Others	6,782	4,880	5,364	5,820
CF from operating activitie	45,698	14,624	30,906	19,708
(Inc)/dec in Investments	-10,503	4,246	27,739	15,000
(Inc)/dec in Fixed Assets	-30,000	-21,000	-20,000	-20,000
Others	0	0	0	0
CF from investing activitie	-40,503	-16,754	7,739	-5,000
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	40,053	54,164	33,543	19,833
Dividend paid & dividend t	-3,733	-5,169	-5,743	-5,743
Inc/(dec) in Sec. premium	2	3	3	3
Others	-6,782	-4,880	-5,364	-5,820
CF from financing activitie	29,540	44,118	22,439	8,273
Net Cash flow	-15,000	1,604	-3,000	-3,000
Opening Cash	25,145	10,145	11,750	8,750
Closing Cash	10,145	11,750	8,750	5,750

\*calculated, Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Liabilities</b>				
Equity Capital	9,895	9,895	9,895	9,895
Reserve and Surplus	1,03,320	1,11,407	1,20,268	1,29,987
Total Shareholders fund	1,13,215	1,21,302	1,30,163	1,39,881
Total Debt	1,60,588	1,68,617	1,80,421	2,03,875
AAD	1,947	1,947	1,947	1,947
Minority Interest / Other	1,152	1,152	1,152	1,152
Total Liabilities	2,76,902	2,93,018	3,13,682	3,46,855
<b>Assets</b>				
Gross Block	2,57,995	2,78,995	2,98,995	3,18,995
Less: Acc Depreciation	80,485	89,758	94,779	94,779
Net Block	1,77,509	1,89,237	2,04,215	2,24,215
Capital WIP	73,067	63,067	58,067	53,067
Total Fixed Assets	2,50,576	2,52,304	2,62,282	2,77,282
Investments	12,293	12,293	12,293	12,293
Inventory	10,732	10,781	11,900	9,457
Debtors	15,668	17,569	16,091	14,673
Loans and Advances	40,264	29,281	32,183	12,577
Other Current Assets	19,501	19,521	21,455	8,385
Cash	10,145	11,750	8,750	5,750
Total Current Assets	96,310	88,902	90,379	50,842
Creditors	9,650	10,781	11,900	4,729
Other Liabilities	22,516	25,156	27,767	11,034
Provisions	7,466	7,466	7,466	7,466
Total Current Liabilities	39,632	43,403	47,134	23,229
Net Current Assets	56,679	45,499	43,246	27,614
Others Assets	0	0	0	0
Application of Funds	2,76,902	2,93,018	3,13,682	3,46,855

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Per share data (₹)</b>				
EPS	10.2	13.4	14.7	15.6
Cash EPS	18.9	22.8	24.6	26.8
BV	114.4	122.6	131.5	141.4
DPS	3.3	4.5	5.0	5.0
Cash Per Share	12.3	11.9	8.8	5.8
<b>Operating Ratios (%)</b>				
EBITDA Margin	27.7	26.5	26.2	26.1
PBT / Total Operating inco	14.8	15.1	14.9	14.6
PAT Margin	10.4	13.6	13.1	13.3
Inventory days	68.7	68.7	68.3	50.0
Debtor days	58.5	65.6	54.6	45.9
Creditor days	9.1	10.1	10.1	10.1
<b>Return Ratios (%)</b>				
RoE	8.9	10.9	10.8	11.1
RoCE	4.8	5.7	5.3	5.1
RoIC	5.0	5.9	5.4	5.2
<b>Valuation Ratios (x)</b>				
P/E	9.7	7.4	6.7	6.3
EV / EBITDA	9.2	9.8	9.6	9.7
EV / Net Sales	2.5	2.6	2.5	2.5
Market Cap / Sales	1.0	1.0	0.9	0.8
Price to Book Value	0.9	0.8	0.8	0.7
<b>Solvency Ratios</b>				
Debt/EBITDA	5.9	6.5	6.4	6.7
Debt / Equity	1.4	1.4	1.4	1.5
Current Ratio	3.0	2.5	2.3	3.2
Quick Ratio	0.3	0.3	0.2	0.4

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)

ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)

## ANALYST CERTIFICATION

I/We, Chirag J Shah PGDBM, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

### Disclaimer in retail research report:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock broking and distribution of financial products. ICICI Securities Limited is a SEBI registered Research Analyst with SEBI Registration Number – INH00000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com)

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.