




Estimate change 
 TP change 
 Rating change 

CMP: INR118 TP: INR140 (+19%)

Buy

Profits in-line, aided by other income

To see steady growth, led by capacity additions; maintain Buy

- NTPC's 1QFY22 results highlight a steady performance – given the regulated business and aided by other income. S/A adj. PAT (excl. FC u/r) was broadly flat YoY at INR33.1b.
- NTPC has set a RE capacity target of 60GW by 2032. While this may seem ambitious (implying 5–5.5GW p.a. of RE additions over the next 11 years), the co. has taken steps to improve its renewable footprint. ~3GW of renewable capacities are under construction and expected to be commissioned over the next two years. Even as the co. gradually scales up its renewables journey, we expect continued capitalization for its thermal projects to drive 12% growth in regulated equity over FY21–23E. Maintain **Buy**, with DCF-based TP of INR140.

Profits aided by other income

- Adj. for one-offs, NTPC's S/A PAT (excl. FC u/r) was broadly flat YoY at INR33.1b (our estimate: INR33.7b) on the back of higher other income. Other income at S/A was up 35% YoY to INR7.6b (estimate: INR5.1b) and was boosted by dividends of INR3b from subs and JVs. LPS was lower at INR2.65b v/s INR4.73b in the previous year. Adjusted for the dividends from subs and JVs, PAT nos. (excl. FC u/r) would be INR30.6b.
- Commercial capacity was up 25MW QoQ to 64.5GW, led by the commercialization of solar capacities.
- FC under-recoveries stood at INR1.9b (v/s est. INR1.8b and INR2.25b in the previous year). FC under-recoveries were led by Simhadri (INR1.1b) and Rihand (INR0.5b). Plant availability factors at coal-based plants were marginally down YoY to 93.7% (v/s 95.8% in the previous year).
- PLF at coal-based plants rose to 69.7% (v/s 58.2% in the previous year). PLF incentives stood at INR1.7b v/s INR1.4b in the previous year.
- Reported S/A PAT was up 27% YoY to INR31.5b. The jump in reported nos. is attributable to the impact of INR8b in rebates in the previous year.
- Profit from JVs was higher at INR2b (v/s INR1.3b in the previous year), led by better profits at Meja.
- At the consolidated level, reported profits were up 17% YoY to INR34.5b, while adjusted profits would be down 5% YoY to INR34.6b.
- Profit for THDC was lower at INR0.48b (v/s INR1.25b in the previous year) due to lower water availability. Profits at NEEPCO were higher at INR1.2b (v/s <INR0.1b in the previous year) due to the commissioning of Kameng.
- S/A receivables declined 28% YoY to INR189b (68 days of sales v/s 99days in the previous year).

Management commentary highlights

- NTPC is focused on transitioning to renewables and plans to spearhead new technologies such as green hydrogen. It is undertaking a pilot project at Vindhyanchal for green hydrogen, with potential cost of <USD3/kg.

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Bloomberg	NTPC IN
Equity Shares (m)	9,895
M.Cap.(INRb)/(USD\$)	1142.3 / 15.4
52-Week Range (INR)	122 / 78
1, 6, 12 Rel. Per (%)	0/19/-5
12M Avg Val (INR M)	2881

Financials & Valuations (INR b)

Y/E MARCH	2021	2022E	2023E
Sales	1,134	1,248	1,344
EBITDA	358.8	392.1	429.9
Adj. PAT	152.0	154.9	170.4
EBITDA Margin (%)	31.6	31.4	32.0
Cons. Adj. EPS (INR)	15.7	16.0	17.6
EPS Gr. (%)	13.6	1.9	10.0
BV/Sh. (INR)	129.7	137.5	145.4
Ratios			
Net D:E	1.6	1.5	1.4
RoE (%)	12.4	12.0	12.4
RoCE (%)	7.4	7.0	7.5
Payout (%)	39.2	43.8	48.4
Valuations			
P/E (x)	7.5	7.4	6.7
P/BV (x)	0.9	0.9	0.8
EV/EBITDA(x)	8.8	7.9	7.2
Div. Yield (%)	5.2	5.9	7.2

Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	51.1	51.1	51.0
DII	33.0	34.1	34.7
FII	13.1	11.9	11.4
Others	2.8	2.9	2.9

FII Includes depository receipts

- The co. is also exploring opportunities for power distribution and manufacturing methanol from CO₂. It would compete in the bid for the privatization of the Chandigarh DISCOM.
- The co. plans to reach RE capacity of 15GW by FY24 and 60GW by 2032. Upcoming bids in the market, along with tie-ups for solar parks / UMREPP would provide the basis for growth.
- NTPC is looking to monetize its a) renewables subsidiary and b) NNVN (power trading sub) over the next 18 months – it has commenced work on the same.

Valuations remain attractive; reiterate Buy

- NTPC plans to reach RE capacity of 60GW by 2032. While this seems ambitious, the co. has taken steps on improving its renewable footprint. The co. has emerged as the lowest bidder for 1.9GW of competitively bid out renewable projects, and ~3GW of renewable capacities are under construction.
- Even as the co. gradually scales up its renewables journey, we expect continued capitalization for its thermal projects to drive 12% growth in regulated equity over FY21–23E. Receivables have reduced significantly as money from PFC-REC has come through and power demand continues to recover. The stock trades attractively at FY23E P/BV of 0.8x and dividend yield of 7%. Maintain Buy, with DCF-based Target Price of INR140/share.

Quarterly Performance (standalone) – INR b

Y/E March	FY21				FY22E				FY21	FY22	FY22	var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Sales	242.6	250.2	254.3	262.7	268.3	296.0	292.3	263.1	1,010	1,120	273.6	-2
Change (%)	-1.8	5.9	1.3	-9.7	10.6	18.3	14.9	0.1	-1.5	10.9	12.8	
EBITDA	85.5	75.3	82.9	62.2	82.3	84.3	87.7	82.0	305.8	336.3	90.3	-9
Depreciation	25.3	25.3	25.6	28.0	26.8	27.7	28.0	26.6	104.1	109.1	28.2	
Interest	20.8	17.7	20.1	15.9	19.9	18.7	21.2	24.4	74.6	84.2	22.7	
Other income	5.7	13.5	7.6	16.7	7.6	4.6	5.2	4.7	43.5	22.1	5.1	49
Exceptional	-8.0	-5.6	0.0	0.0	0.0	0.0	0.0	0.0	-13.6	0.0	0.0	
PBT	37.0	40.1	44.8	35.0	43.3	42.5	43.7	35.6	156.9	165.1	44.5	-3
Tax	12.3	5.1	11.7	-9.8	11.8	10.7	11.0	1.1	19.3	34.7	11.2	
PAT	24.7	35.0	33.2	44.8	31.5	31.8	32.7	34.4	137.7	130.4	33.3	-6
Change (%)	-5.1	7.4	10.7	257.6	27.3	-9.3	-1.5	-23.1	36.2	-5.3	34.8	
Adj. PAT (excl. FC u/r)	33.2	41.6	33.7	38.6	33.1	32.2	33.1	33.8	147.0	132.1	33.7	-2
Change (%)	22.7	19.7	16.1	17.0	-0.4	-22.5	-1.8	-12.4	18.8	-10.1	1.5	

Source: MOFSL, Company

Exhibit 1: Key Operating Parameters

		FY20				FY21				FY22
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Capacity										
Installed	GW	55.1	57.1	58.2	62.1	62.1	62.9	63.0	65.8	66.1
Commercial	GW	54.3	55.0	56.4	61.1	62.0	62.1	63.0	64.5	64.5
Regulated Equity	INR b	531.2	532.6	565.7	618.1	628.6	628.6	647.9	663.4	657.9
Generation										
Gross	b kWh	68	62	61	68	60	68	65	78	72
Electricity sales	b kWh	64	57	56	63	56	63	61	72	67
Availability										
Coal	%	91.1	84.1	88.3	94.3	95.8	91.8	89.1	89.1	93.7
Gas	%	90.4	93.3	98.8	92.6	93.3	90.2	94.6	98.7	97.0
PLF										
Coal	%	73.9	64.3	63.5	69.5	58.2	64.3	64.3	77.1	69.7
Gas	%	20.6	13.1	10.4	12.3	25.4	26.2	6.8	6.2	8.1
Fuel										
Coal Received	mt	44.0	36.0	45.1	47.9	40.5	38.5	45.8	45.7	46.3
o/w imported	mt	0.9	0.6	0.6	0.9	0.4	0.2	0.3	0.3	0.5
% imported	%	2.0	1.7	1.4	1.8	0.9	0.4	0.6	0.7	1.0
Gas received	mmscmd	4.5	3.1	2.4	2.8	5.6	5.7	1.5	1.1	1.8
Per unit										
Realization	INR/kWh	3.90	4.20	4.38	4.66	4.25	3.99	4.15	3.57	4.04
Fuel cost	INR/kWh	2.30	2.37	2.32	2.38	2.12	2.18	2.20	2.24	2.23
Fixed charge	INR/kWh	1.59	1.82	2.06	2.29	2.14	1.81	1.95	1.34	1.81

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							
		INR m	INR/sh.	INR m	INR/sh.	INR m	INR/sh.
A. FY22-24		2,32,643	24	1,98,032	20	1,96,223	20
	RoE (%)						
	Re-Invst (%)						
	Growth (%)						
B. FY25-32	13.00	10	1.3	6,75,066	70	6,50,010	67
C. Terminal Value	11.50	10	1.2	5,66,220	58	5,08,723	52
Target price (A+B+C)			152		140		132

Source: MOFSL, Company

Analyst meet takeaways

- NTPC is focused on transitioning to renewables and plans to spearhead new technologies such as green hydrogen. While progress is being made on green hydrogen, work on the technology is still exploratory in nature. It is undertaking a pilot project at Vindhyanchal for green hydrogen with a potential cost of <USD3/kg. The co. is also undertaking initiatives for carbon capture and biomass co-firing.
- The co. is exploring opportunities for power distribution and manufacturing methanol from CO₂. It would compete in the bid for the privatization of the Chandigarh DISCOM.
- NTPC is looking to monetize its a) renewables subsidiary and b) NVVN (power trading sub) over the next 18 months – it has commenced work on the same.
- The co. plans to reach RE capacity of 15GW by FY24 and 60GW by 2032. Upcoming bids in the market, along with tie-ups for solar parks/UMREPP, would provide the basis for growth.

- NTPC expects cumulative FGD equipment installations of 10.4GW/27.7GW/64.4GW of capacities by FY23/FY24/FY25.
- The co. expects demand at its plants with more than 25 years' PPAs to continue as electricity consumption grows. With regard to relinquishment, the co. would work on finding solutions to achieve similar profitability and could sell power in the market. In the case of Dadri, the co. noted there are takers, and the same could be reallocated.
- NTPC has also requested Expressions of Interest (EoI) from DISCOMs and industries to purchase electricity from the co. The company could blend its surplus thermal power with renewables to provide solutions to customers.
- NTPC has installed 140 EV chargers and plans for another 1,000 units to be deployed under the FAME scheme.

Valuation and view

12GW of thermal projects provide growth visibility

- NTPC has ~12GW of thermal projects in the execution phase that provide visibility towards growth in regulated equity for the next three years. Notably, some of the upcoming capacities are incremental units of plants commercialized over FY19–20, and most resources have been mobilized. We expect ~7GW of these capacities to get commercialized over the next two years.

Making in-roads in renewables

- NTPC has increased its longer term RE capacity target to 60GW by 2032 (earlier: 32GW). While this seems ambitious, implying 5–5.5GW p.a. of RE additions over the next 11 years, the co. has taken steps to improve its renewable footprint.
- NTPC has recently emerged as the lowest bidder for 1.9GW of projects, thereby highlighting its increased focus. Furthermore, 3GW of renewable projects (largely under the CPSU scheme) are under construction and should get commissioned in FY22/FY23.

Higher coal availability bodes well for the co.

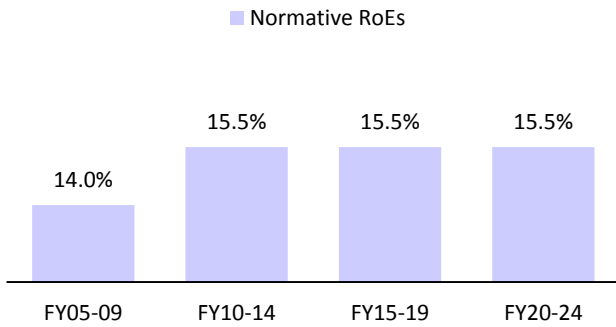
- Subdued power demand, coupled with a production ramp-up at Coal India's mines, had led to an increase in coal stocks at power plants. This bodes well for NTPC and would help lower coal-related FC u/r.
- Machine-related u/r may occur from time to time, as was the case in FY21 – with Kahalgaon being impacted due to a breach in the ash dyke embankment. However, on an overall basis, the co. is better placed to manage fuel-related u/r given the higher coal availability.

Capitalization to outpace capex

- With the commercialization of thermal capacities, we expect regulated equity to increase at a CAGR of 12% over FY21–23E. We expect capitalization to outpace capex – which, along with lower u/r, would aid overall RoEs at 12–13%. The stock trades attractively at FY23E P/BV of 0.8x and dividend yield of 7%. Maintain Buy, with DCF-based TP of INR140/share.

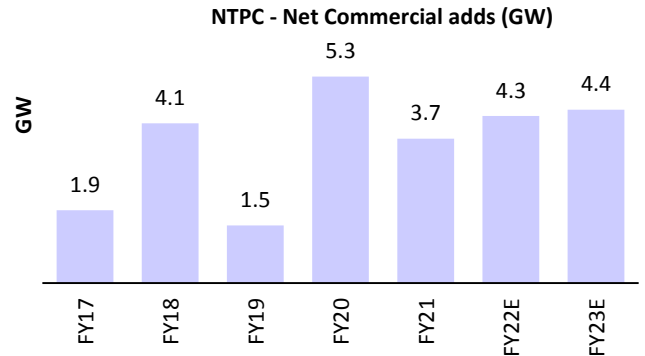
Story in charts

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



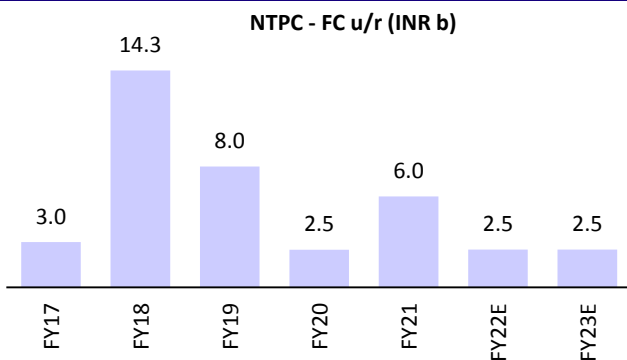
Source: MOFSL, Company

Exhibit 4: ...and continued commercialization of capacity...



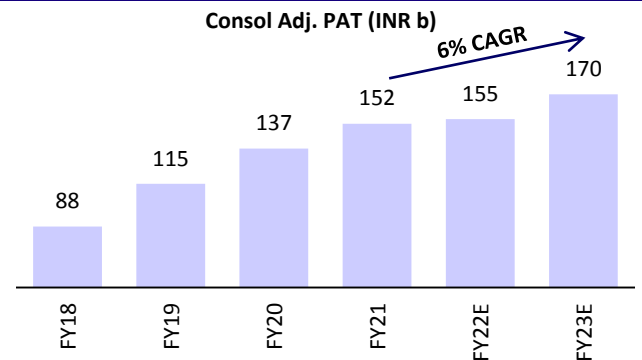
Source: MOFSL, Company

Exhibit 5: ...along with decline in FC u/r...



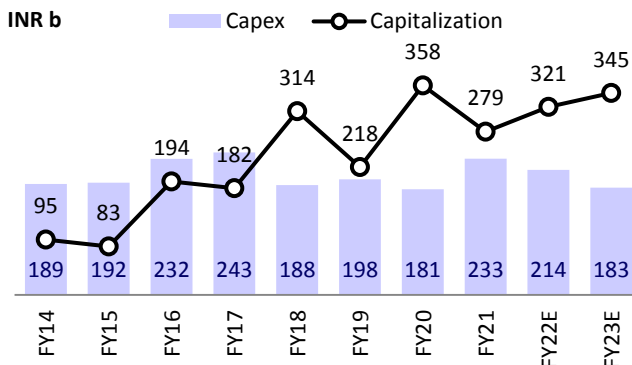
Source: MOFSL, Company

Exhibit 6: ...should drive earnings growth



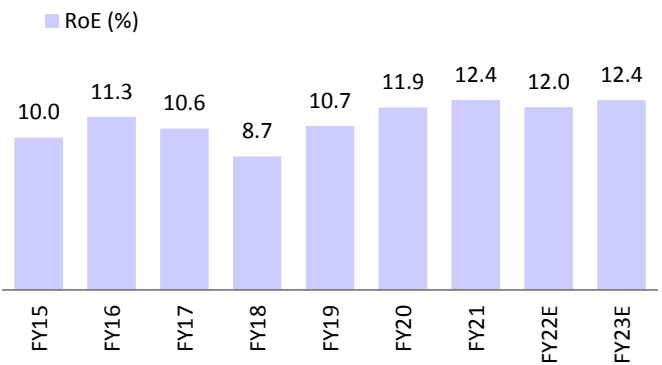
Source: MOFSL, Company

Exhibit 7: Capitalization would outpace capex...



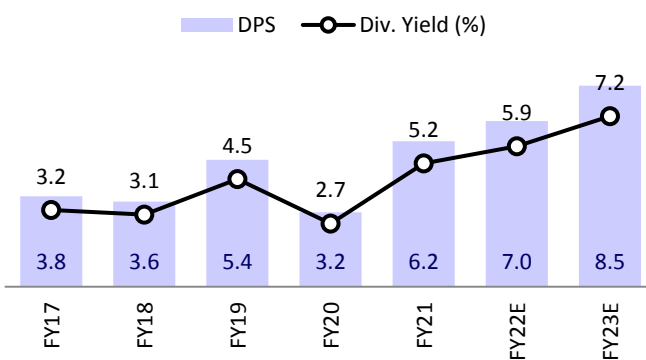
Source: MOFSL, Company

Exhibit 8: ...and aid RoEs, which would continue at 12-13%



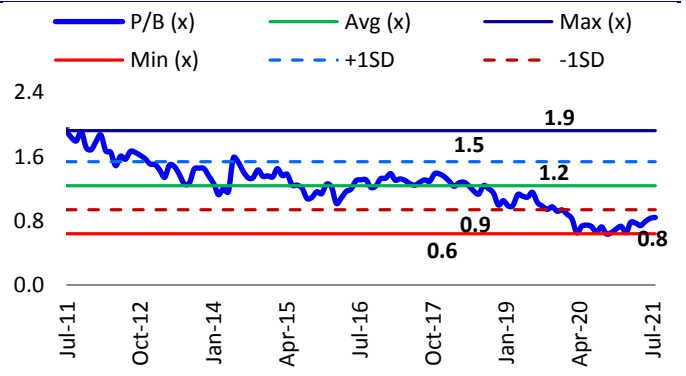
Source: MOFSL, Company

Exhibit 9: Dividend yield remains attractive



Source: MOFSL, Company

Exhibit 10: Stock trades at lower end of historical valuation



Source: MOFSL, Bloomberg

Financials and valuations

Income Statement					(INR m)		
Y/E March	2018	2019	2020	2021	2022E	2023E	2024E
Net Sales	8,77,622	9,06,369	11,43,361	11,34,343	12,48,236	13,44,406	14,48,486
Change (%)	7.4	3.3	26.1	-0.8	10.0	7.7	7.7
Expenditure	6,47,813	7,07,282	7,79,275	7,75,573	8,56,111	9,14,524	9,76,700
EBITDA	2,29,808	1,99,086	3,64,086	3,58,770	3,92,125	4,29,882	4,71,786
Margin (%)	26.2	22.0	31.8	31.6	31.4	32.0	32.6
Depreciation	74,599	76,881	1,03,562	1,24,503	1,30,284	1,43,024	1,56,562
EBIT	1,55,209	1,22,205	2,60,524	2,34,267	2,61,841	2,86,857	3,15,224
Interest	44,346	52,609	81,169	92,241	1,02,918	1,11,804	1,21,856
Other Income	15,583	17,953	29,085	40,157	20,506	22,207	18,750
XO reported	0	0	0	-15,122	0	0	0
Profit before Tax	1,26,446	87,550	2,08,441	1,67,061	1,79,429	1,97,261	2,12,117
Tax	25,881	-32,064	93,475	24,205	39,224	43,315	46,435
Tax Rate (%)	20.5	-36.6	44.8	14.5	21.9	22.0	21.9
Share of JVs	4,451	6,721	4,054	6,839	18,092	19,836	19,836
Minority int	-425	-66	3,018	3,348	3,348	3,348	3,348
PAT	1,05,440	1,26,400	1,16,002	1,46,346	1,54,948	1,70,434	1,82,170
Prior period	-17,448	-11,786	20,607	-9,442	0	0	0
Adj. PAT	87,992	1,14,614	1,36,609	1,52,026	1,54,948	1,70,434	1,82,170
Change (%)	-10.9	30.3	19.2	11.3	1.9	10.0	6.9
Balance Sheet					(INR m)		
Y/E March	2018	2019	2020	2021	2022E	2023E	2024E
Share Capital	82,455	98,946	98,946	96,967	96,967	96,967	96,967
Reserves	9,53,180	10,01,424	10,89,446	11,60,418	12,36,651	13,13,080	13,86,700
Net Worth	10,35,635	11,00,370	11,88,392	12,57,385	13,33,617	14,10,046	14,83,667
Minority Interest	9,478	6,648	33,172	35,237	35,237	35,237	35,237
Loans	13,00,143	16,16,818	20,05,115	20,51,718	20,57,692	20,49,734	20,04,927
Deferred Tax Liability	24,081	41,997	76,171	98,878	98,878	98,878	98,878
Capital Employed	23,69,337	27,65,833	33,02,849	34,43,218	35,25,424	35,93,895	36,22,709
Gross Block	15,01,531	16,65,811	23,68,792	26,47,719	29,68,960	33,14,056	36,55,773
Less: Accum. Deprn.	2,06,147	2,87,597	4,90,764	6,15,267	7,45,551	8,88,575	10,45,137
Net Fixed Assets	12,95,385	13,78,214	18,78,028	20,32,452	22,23,409	24,25,481	26,10,636
Capital WIP	8,20,931	10,67,775	9,85,085	9,75,060	8,67,402	7,05,615	5,13,906
Investments	92,515	81,000	93,066	1,00,893	1,02,648	1,02,648	1,02,648
Current Assets	5,34,851	6,46,976	8,17,693	8,81,257	8,84,106	9,21,720	9,63,942
Inventory	61,403	81,194	1,11,385	98,096	95,915	1,07,947	1,16,622
Account Receivables	88,122	1,01,477	2,03,708	1,77,181	1,45,910	1,37,588	1,22,750
Cash and Bank Balance	43,876	27,823	32,143	48,878	85,178	1,19,082	1,67,467
Loans and Advances	6,931	6,727	7,638	8,141	8,141	8,141	8,141
Others	3,34,519	4,29,755	4,62,819	5,48,962	5,48,962	5,48,962	5,48,962
Current Liabilities	3,74,344	4,08,131	4,71,022	5,46,445	5,52,141	5,61,569	5,68,423
Payables	67,309	85,658	1,01,767	88,064	93,761	1,03,189	1,10,042
Other current liabilities	3,07,035	3,22,473	3,69,255	4,58,381	4,58,381	4,58,381	4,58,381
Net Working Capital	1,60,507	2,38,845	3,46,671	3,34,813	3,31,964	3,60,151	3,95,519
Application of Funds	23,69,337	27,65,833	33,02,849	34,43,218	35,25,424	35,93,895	36,22,709

Financials and valuations

Ratios							
Y/E March	2018	2019	2020	2021	2022E	2023E	2024E
Basic (INR)							
EPS	8.9	11.6	13.8	15.7	16.0	17.6	18.8
Cash EPS	18.2	20.5	22.2	27.9	29.4	32.3	34.9
BV/Share	104.7	111.2	120.1	129.7	137.5	145.4	153.0
DPS	3.6	5.4	3.2	6.2	7.0	8.5	10.0
Payout (%)	40.5	46.3	22.8	39.2	43.8	48.4	53.2
Valuation (x)							
P/E	13.3	10.2	8.5	7.5	7.4	6.7	6.3
Cash P/E	6.5	5.7	5.3	4.2	4.0	3.6	3.4
P/BV	1.1	1.1	1.0	0.9	0.9	0.8	0.8
EV/EBITDA	10.5	13.8	8.6	8.8	7.9	7.2	6.3
Dividend Yield (%)	3.1	4.5	2.7	5.2	5.9	7.2	8.5
Return Ratios (%)							
EBITDA Margins (%)	26.2	22.0	31.8	31.6	31.4	32.0	32.6
Net Profit Margins (%)	12.0	13.9	10.1	12.9	12.4	12.7	12.6
RoE	8.7	10.7	11.9	12.4	12.0	12.4	12.6
RoIC (Post-tax)	9.3	6.3	10.6	8.0	8.5	8.7	8.9
RoCE (Post-tax)	6.4	6.7	6.5	7.4	7.0	7.5	8.0
Working Capital Ratios							
Debtor (Days)	37	41	65	57	43	37	31
Inventory (Days)	26	33	36	32	28	29	29
Payable (Days)	28	34	32	28	27	28	28
Leverage Ratio (x)							
Current Ratio	1.4	1.6	1.7	1.6	1.6	1.6	1.7
Interest Cover Ratio	3.9	2.7	3.6	3.0	2.7	2.8	2.7
Net Debt/EBITDA	5.5	8.0	5.4	5.6	5.0	4.5	3.9
Net Debt/Equity	1.2	1.4	1.7	1.6	1.5	1.4	1.2
Cash Flow Statement							
Y/E March	2018	2019	2020	2021	2022E	2023E	(INR m) 2024E
Profit/(Loss) before Tax	1,32,417	83,719	2,22,816	1,92,896	1,94,172	2,13,749	2,28,605
Interest	44,160	52,431	80,606	91,627	1,02,918	1,11,804	1,21,856
Depreciation	74,599	76,881	1,03,562	1,24,503	1,30,284	1,43,024	1,56,562
(Inc)/Dec in WC	-58,298	-72,868	-63,198	8,286	39,148	5,718	13,017
Tax paid	19,257	-30,390	-36,069	-30,683	-39,224	-43,315	-46,435
others	-15,508	53,898	-61,885	-62,190	-20,506	-22,207	-18,750
CF from Operations	1,96,627	1,63,671	2,45,832	3,24,441	4,06,793	4,08,773	4,54,855
Capex	-1,87,559	-1,97,548	-1,80,625	-2,32,820	-2,13,583	-1,83,309	-1,50,007
(Pur)/sale of Invest.	0	0	0	-5,000			
Acquisition in subs.	-11,531	-40,574	-1,22,650	79	-1,756	0	0
Int. & Div. Income	3,033	1,079	58	27,396	20,506	22,207	18,750
Others	-42	343	344	11,812			
CF from Investments	-1,96,099	-2,36,700	-3,02,873	-1,98,533	-1,94,833	-1,61,102	-1,31,257
Inc/(Dec) in Debt	1,45,059	2,24,698	2,32,572	1,08,005	5,974	-7,958	-44,807
finance cost	-86,058	-1,07,672	-1,33,992	-1,33,074	-1,02,918	-1,11,804	-1,21,856
Dividend (incl. tax)	-48,669	-59,272	-37,751	-57,784	-67,877	-82,422	-96,967
Others	0	-778	531	-26,320	-10,839	-11,583	-11,583
CF from Fin. Activity	10,333	56,976	61,361	-1,09,173	-1,75,660	-2,13,766	-2,75,213
Inc/Dec of Cash	10,861	-16,053	4,320	16,735	36,300	33,904	48,385
Add: Beginning Balance	33,015	43,876	27,823	32,143	48,878	85,178	1,19,082
Closing Balance	43,876	27,823	32,143	48,878	85,178	1,19,082	1,67,467

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

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