

## Strong operational performance...

**About the stock:** NTPC is India's largest power generation company with a 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

**Q3FY22 Results:** NTPC reported operationally strong Q3FY22 results. Generation and energy sold were higher than our estimates led by new capacity addition.

- Reported revenues came in at ₹ 28864.8 crore vs. our estimate of ₹ 27059.6 crore on account of 11% YoY growth in generation
- On the operational parameter front, expected generation during Q3FY22 at 72.7 billion units. Energy sold was higher than estimates at 67.6 BUs
- EBITDA came in at ₹ 9061.9 crore. Reported PAT came in at ₹ 4132 crore vs. our estimate of ₹ 3701.1 crore

**What should investors do?** NTPC has been a significant underperformer in the power space led by a shift of value towards the renewable space. We shall await and keenly observe the execution pace of NTPC in the renewable segment.

- We maintain our HOLD rating on the stock

**Target Price and Valuation:** We value NTPC at ₹ 137 i.e. 1x FY23E book value.

### Key triggers for future price performance:

- NTPC has set aggressive renewables long term capacity addition target of 60000 MW by 2032, which was earlier pegged at 30000 MW. Also, in the medium term, the company expects to have a cumulative capacity to the tune of 6500 MW by FY24E. Rising share of renewables and strong execution for the ramp up of the same will trigger a re-rating

**Alternate Stock Idea:** In the power space, we are bullish on IEX' prospects

- Dominating market share, strong traction in new products and strong opportunity landscape
- BUY with a target price of ₹ 305 per share



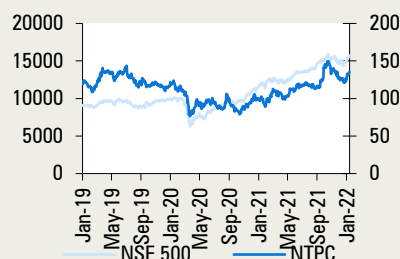
### Particulars

| Particulars           | Amount        |
|-----------------------|---------------|
| Market Capitalisation | ₹136480 Crore |
| Debt (FY 21)          | ₹164809 Crore |
| Cash (FY 21)          | ₹3624 Crore   |
| EV                    | ₹297665 Crore |
| 52 week H/L           | ₹152/88       |
| Equity capital        | ₹9696.7 Crore |
| Face value            | ₹10           |

### Shareholding pattern

|           | Mar-21 | Jun-21 | Sep-21 | Dec-21 |
|-----------|--------|--------|--------|--------|
| Promoters | 51.1%  | 51.1%  | 51.1%  | 51.1%  |
| FII       | 11.9%  | 13.1%  | 13.5%  | 14.5%  |
| DII       | 34.1%  | 33.0%  | 32.2%  | 31.1%  |
| Others    | 2.9%   | 2.8%   | 3.2%   | 3.3%   |

### Price Chart



### Recent event & key risks

- Under construction capacity of 17 GW
- Key Risk:** (i) Muted economic recovery to keep blended PLFs lower (ii) Aggressive capacity addition in solar space may rerate the stock

### Research Analyst

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### Key Financial Summary

| Key Financials     | FY19     | FY20     | FY21     | 5 year CAGR (FY16-21) | FY22E      | FY23E      | 2 year CAGR (FY21-23E) |
|--------------------|----------|----------|----------|-----------------------|------------|------------|------------------------|
| Net Sales          | 90,507.4 | 97,700.4 | 99,206.7 | 8.9%                  | 1,08,758.8 | 1,21,809.8 | 10.8%                  |
| EBITDA             | 22,971.5 | 27,092.7 | 28,803.4 | 11.8%                 | 30,549.3   | 35,197.1   | 10.5%                  |
| EBITDA Margins (%) | 25.4     | 27.7     | 29.0     |                       | 28.1       | 28.9       |                        |
| Net Profit         | 11,949.9 | 10,112.8 | 13,769.5 | 8.3%                  | 14,163.8   | 15,928.2   | 7.6%                   |
| EPS (₹)            | 12.1     | 10.2     | 13.9     |                       | 14.3       | 16.1       |                        |
| P/E                | 9.8      | 11.6     | 8.5      |                       | 8.3        | 7.3        |                        |
| RoNW (%)           | 11.2     | 8.9      | 11.5     |                       | 11.2       | 11.8       |                        |
| RoCE (%)           | 5.8      | 4.8      | 5.8      |                       | 5.5        | 5.6        |                        |

## Key takeaways of recent quarter & conference call highlights

### Q3FY22 Results: Sturdy performance

- Reported revenues came in at ₹ 28864.8 crore vs. our estimates of ₹ 27059.6 crore. The key reason was NTPC reporting higher-than-expected generation. On the operational parameter front, expected generation during Q3FY22 was at 72.7 billion units vs. expectations of 71.1 billion units, implying growth of 11% YoY. On the other hand, energy sold was higher than estimates at 67.6 BUs vs. 66 billion units. PLFs of coal plants were at 67.6% vs. 69.6% QoQ. As of Q3FY22, the commercial capacity was at 54302 MW whereas the installed capacity was at 54302 MW
- The company commissioned capacity to the tune of 1327 MW and 1557 MW on a standalone and consolidated, respectively
- On the coal mining side, the company has mined coal to the tune of 9.65 million tonne in 9MFY22 vs. 7.1 million tonne mined in 9MFY21. On other hand, gas consumption was at 1.4 mmscmd vs. 1.8 mmscmd YoY
- EBITDA came in at ₹ 9061.9 crore, above our estimates of ₹ 7926.4 crore. The beat mainly came from higher income and lower-than-expected employee and other expenses. Reported PAT came in at ₹ 4132 crore vs. our estimate of ₹ 3701.1 crore
- The company declared a generous interim dividend of ₹ 4 per share

### Q3FY22 Earnings Conference Call highlights

- The company commercialised capacity to the tune of 1327 MW in Q3FY22. The installed and commercial capacity as of Q3FY22 for NTPC was at 54302 MW. Going ahead, the company expects to add ~7000-8000 MW in FY23E and ~6000 MW in FY24E
- The company currently has 6500 MW of renewable projects across various stages. Out of this, 1600 MW has been commercialised and ~3500 MW will come under commissioning in next 18 months. The company expects to spend ~40% of total capex planned for FY22, FY23 on renewable projects. This share is going to further increase from FY25 beyond, which indicates very strong addition in renewable portfolio from FY24 onwards. The company has incurred a consolidated capex of ₹ 25000 crore as of Q3FY22
- NTPC has produced 9.65 million tonne of coal from its three coal mines vs. 7.12 million tonne in Q3FY21. Cumulatively, the company has incurred a capex of ₹ 7527 crores till 9MFY22
- The average cost of debt in Q3FY22 was at 5.95% vs. 6.2% in Q3FY21
- The regulated equity for Q3FY22 was at ₹ 70452 crore
- The profit of the various subsidiaries of NTPC was at ₹ 1788 crore vs. ₹ 1012 crore
- As of now, FGD systems at 1340 MW of capacity has been installed. Going ahead, FY23, FY24, FY25 will see FGD installations of 22790 MW, 15270 MW, 22880 MW, respectively
- The management is of the view that equity IRR will be in range of 11-12% on solar assets

Exhibit 1: Variance Analysis

|                        | Q3FY22   | Q3FY22E  | Q3FY21   | YoY (%) | Q2FY22   | QoQ (%) | Comments  |
|------------------------|----------|----------|----------|---------|----------|---------|---|
| Energy sales net       | 28,864.8 | 27,059.6 | 24,509.3 | 17.8    | 28,329.0 | 1.9     | Revenues were above estimates   |
| Other operating income | 0.0      | 0.0      | 0.0      | -       | 0.0      | -       |   |
| Total Income           | 28,864.8 | 27,059.6 | 24,509.3 | 17.8    | 28,329.0 | 1.9     |   |
| Fuel                   | 16,430.9 | 15,290.7 | 13,364.7 | 22.9    | 17,495.6 | (6.1)   |   |
| G&A                    | 2,045.5  | 2,435.4  | 2,491.0  | (17.9)  | 2,274.8  | (10.1)  | Other expenses were lower than estimates                                  |
| Employee expense       | 1,326.5  | 1,407.1  | 1,286.5  | 3.1     | 1,334.3  | (0.6)   |   |
| Total expenses         | 19,802.9 | 19,133.2 | 17,142.2 | 15.5    | 21,104.7 | (6.2)   |   |
| EBITDA                 | 9,061.9  | 7,926.4  | 7,367.1  | 23.0    | 7,224.4  | 25.4    | EBITDA was higher on account of higher income and lower other expenses    |
| EBITDA Margin (%)      | 31.4     | 29.3     | 30.1     | 134 bps | 25.5     | 589 bps |   |
| Depreciation           | 2,891.4  | 2,850.0  | 2,555.5  | 13.1    | 2,721.5  | 6.2     |   |
| Interest               | 1,733.8  | 1,850.0  | 2,009.4  | -13.7   | 1,716.3  | 1.0     |   |
| Other Income           | 972.3    | 700.0    | 759.3    | 28.1    | 944.0    | 3.0     |   |
| PBT                    | 5,352.0  | 4,626.4  | 4,483.9  | 19.4    | 4,172.4  | 28.3    |   |
| Extraordinary expenses | 326.2    | 326.2    | 326.2    | NA      | 326.2    | NA      | 5   |
| Extraordinary Income   | 326.2    | 326.2    | 326.2    | 0.0     | 326.2    | 0.0     | Related to prior period sales and tax benefit received during the quarter |
| Total Tax              | 1,220.0  | 925.3    | 1,168.6  | 4.4     | 960.5    | 27.0    |   |
| Adjusted PAT           | 4,132.0  | 3,701.1  | 3,315.3  | 24.6    | 3,211.9  | 28.6    | PAT was higher on account of better operations                            |

Key Metrics

|                          |         |         |         |      |         |       |   |
|--------------------------|---------|---------|---------|------|---------|-------|---|
| Generation (Crore units) | 7,270.0 | 7,112.0 | 6,541.8 | 11.1 | 7,481.1 | (2.8) | Generation was better than industry average and our estimates |
| Sales (Crore units)      | 6,764.1 | 6,599.9 | 6,074.1 | 11.4 | 6,927.4 | (2.4) |   |
| Tariff rate (₹/Kwh)      | 4.3     | 4.1     | 4.0     | 5.8  | 4.1     | 4.4   |   |

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

| (₹Crore)          | FY22E      |            |          | FY23E      |            |          |
|-------------------|------------|------------|----------|------------|------------|----------|
|                   | Old        | New        | % Change | Old        | New        | % change |
| Revenue           | 1,08,758.8 | 1,08,758.8 | 0.0      | 1,21,809.8 | 1,21,809.8 | -        |
| EBITDA            | 30,549.3   | 30,549.3   | 0.0      | 35,197.1   | 35,197.1   | -        |
| EBITDA Margin (%) | 28.1       | 28.1       | 0 bps    | 28.9       | 28.9       | -        |
| PAT               | 14,163.8   | 14,163.8   | 0.0      | 15,928.2   | 15,928.2   | -        |
| EPS (₹)           | 14.3       | 14.3       | 0.0      | 16.1       | 16.1       | -        |

Source: ICICI Direct Research

## Financial Summary

| Exhibit 3: Profit and loss statement |         |        |          |          |
|--------------------------------------|---------|--------|----------|----------|
|                                      | ₹ crore |        |          |          |
| (Year-end March)                     | FY20    | FY21   | FY22E    | FY23E    |
| Total operating Income               | 97,700  | 99,207 | 1,08,759 | 1,21,810 |
| Growth (%)                           | 8       | 2      | 10       | 12       |
| Raw Material Expenses                | 57,018  | 55,881 | 62,670   | 70,191   |
| Employee Expenses                    | 4,926   | 4,942  | 5,288    | 5,658    |
| Other expenses                       | 8,664   | 9,580  | 10,251   | 10,763   |
| Total Operating Expend               | 70,608  | 70,403 | 78,210   | 86,613   |
| EBITDA                               | 27,093  | 28,803 | 30,549   | 35,197   |
| Growth (%)                           | 25      | 10     | 8        | 21       |
| Depreciation                         | 8,623   | 10,412 | 11,963   | 13,399   |
| Interest                             | 6,782   | 7,459  | 8,157    | 9,136    |
| Other Income                         | 2,778   | 4,346  | 3,500    | 4,000    |
| PBT                                  | 14,466  | 15,279 | 13,929   | 16,662   |
| Others                               | 4,829   | 416    | 4,000    | 3,500    |
| Total Tax                            | 9,182   | 1,925  | 3,765    | 4,234    |
| PAT                                  | 10,113  | 13,770 | 14,164   | 15,928   |
| Adjusted PAT                         | 10,113  | 13,770 | 14,164   | 15,928   |
| Growth (%)                           | -6      | 36     | 3        | 12       |
| EPS (₹)                              | 10.2    | 13.9   | 14.3     | 16.1     |

Source: Company, ICICI Direct Research

| Exhibit 4: Cash flow statement |         |         |         |         |
|--------------------------------|---------|---------|---------|---------|
|                                | ₹ crore |         |         |         |
| (Year-end March)               | FY20    | FY21    | FY22E   | FY23E   |
| Profit Before Tax              | 10,113  | 13,770  | 14,164  | 15,928  |
| Add: Depreciation              | 8,623   | 10,412  | 11,963  | 13,399  |
| (Inc)/dec in Current Asset     | -17,884 | 13,104  | -6,645  | -8,808  |
| Inc/(dec) in CL and Provis     | -2,297  | 3,036   | 3,903   | 4,202   |
| Others                         | 6,782   | 7,459   | 8,157   | 9,136   |
| CF from operating activitie    | 45,698  | 15,500  | 37,026  | 43,070  |
| (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  | 29,015  | 11,706  |
| Dividend paid & dividend t     | -3,733  | -7,064  | -7,466  | -7,466  |
| Inc/(dec) in Sec. premium      | 2       | 3       | 3       | 3       |
| Others                         | -6,782  | -7,459  | -8,157  | -9,136  |
| CF from financing activitie    | 29,540  | 39,644  | 13,395  | -4,893  |
| Net Cash flow                  | -15,000 | -6,522  | -2,454  | 1,000   |
| Opening Cash                   | 25,145  | 10,145  | 3,624   | 1,170   |
| Closing Cash                   | 10,145  | 3,624   | 1,170   | 2,170   |

Source: Company, ICICI Direct

| Exhibit 5: Balance Sheet  |          |          |          |          |
|---------------------------|----------|----------|----------|----------|
|                           | ₹ crore  |          |          |          |
| (Year-end March)          | FY20     | FY21     | FY22E    | FY23E    |
| <b>Liabilities</b>        |          |          |          |          |
| Equity Capital            | 9,895    | 9,895    | 9,895    | 9,895    |
| Reserve and Surplus       | 1,03,320 | 1,10,026 | 1,16,723 | 1,25,185 |
| Total Shareholders fund   | 1,13,215 | 1,19,920 | 1,26,618 | 1,35,080 |
| Total Debt                | 1,60,588 | 1,64,089 | 1,72,294 | 1,80,909 |
| 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 | 2,87,108 | 3,02,010 | 3,19,087 |
| <b>Assets</b>             |          |          |          |          |
| Gross Block               | 2,57,995 | 2,78,995 | 2,98,995 | 3,18,995 |
| Less: Acc Depreciation    | 80,485   | 90,897   | 95,919   | 95,919   |
| Net Block                 | 1,77,509 | 1,88,098 | 2,03,076 | 2,23,076 |
| Capital WIP               | 73,067   | 63,067   | 58,067   | 53,067   |
| Total Fixed Assets        | 2,50,576 | 2,51,164 | 2,61,143 | 2,76,143 |
| Investments               | 12,293   | 12,293   | 12,293   | 12,293   |
| Inventory                 | 10,732   | 10,561   | 11,731   | 12,992   |
| Debtors                   | 15,668   | 12,897   | 13,595   | 14,617   |
| Loans and Advances        | 40,264   | 29,762   | 32,628   | 36,543   |
| Other Current Assets      | 19,501   | 19,841   | 21,752   | 24,362   |
| Cash                      | 10,145   | 3,624    | 1,170    | 2,170    |
| Total Current Assets      | 96,310   | 76,684   | 80,875   | 90,684   |
| Creditors                 | 9,650    | 10,561   | 11,731   | 12,992   |
| Other Liabilities         | 22,516   | 24,641   | 27,373   | 30,314   |
| Provisions                | 7,466    | 7,466    | 7,466    | 7,466    |
| Total Current Liabilities | 39,632   | 42,668   | 46,571   | 50,773   |
| Net Current Assets        | 56,679   | 34,016   | 34,304   | 39,911   |
| Others Assets             | 0        | 0        | 0        | 0        |
| Application of Funds      | 2,76,902 | 2,87,108 | 3,02,010 | 3,19,087 |

Source: Company, ICICI Direct Research

| Exhibit 6: Key ratios       |       |       |       |       |
|-----------------------------|-------|-------|-------|-------|
| (Year-end March)            | FY20  | FY21  | FY22E | FY23E |
| <b>Per share data (₹)</b>   |       |       |       |       |
| EPS                         | 10.2  | 13.9  | 14.3  | 16.1  |
| Cash EPS                    | 18.9  | 24.4  | 26.4  | 29.6  |
| BV                          | 114.4 | 121.2 | 128.0 | 136.5 |
| DPS                         | 3.3   | 6.2   | 6.5   | 6.5   |
| Cash Per Share              | 12.3  | 3.7   | 1.2   | 2.2   |
| <b>Operating Ratios (%)</b> |       |       |       |       |
| EBITDA Margin               | 27.7  | 29.0  | 28.1  | 97.6  |
| PBT / Total Operating inco  | 14.8  | 15.4  | 12.8  | 0.0   |
| PAT Margin                  | 10.4  | 13.9  | 13.0  | 0.0   |
| Inventory days              | 68.7  | 69.0  | 68.3  | 67.6  |
| Debtor days                 | 58.5  | 47.5  | 45.6  | 0.0   |
| Creditor days               | 9.1   | 10.1  | 10.1  | 10.1  |
| <b>Return Ratios (%)</b>    |       |       |       |       |
| RoE                         | 8.9   | 11.5  | 11.2  | 11.8  |
| RoCE                        | 4.8   | 5.8   | 5.5   | 5.6   |
| RoIC                        | 5.0   | 5.9   | 5.5   | 5.6   |
| <b>Valuation Ratios (x)</b> |       |       |       |       |
| P/E                         | 13.7  | 10.1  | 9.8   | 8.7   |
| EV / EBITDA                 | 10.7  | 10.4  | 10.1  | 9.0   |
| EV / Net Sales              | 3.0   | 3.0   | 2.8   | 2.6   |
| Market Cap / Sales          | 1.4   | 1.4   | 1.3   | 1.1   |
| Price to Book Value         | 1.2   | 1.2   | 1.1   | 1.0   |
| <b>Solvency Ratios</b>      |       |       |       |       |
| Debt/EBITDA                 | 5.9   | 5.7   | 5.6   | 5.1   |
| Debt / Equity               | 1.4   | 1.4   | 1.4   | 1.3   |
| Current Ratio               | 3.0   | 2.2   | 2.1   | 2.1   |
| Quick Ratio                 | 0.3   | 0.1   | 0.0   | 0.1   |

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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