

Moving in right direction...

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

Rationale: NTPC is increasing its presence in the renewable segment.

- NTPC has set aggressive renewables long term capacity addition target of 60000 MW by 2032, which was earlier pegged at 30000 MW. The company currently has 6500 MW of renewable projects in various stages. Out of this, 1600 MW has been commercialised and ~3500 MW will come under commissioning in the 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 is expected to generate IRR's in the range of 11-12% despite low renewable tariffs, which we believe is commendable.
- The company may also unlock value in its renewable arm via an IPO over FY23-24, which will further provide a fillip to valuations.
- The company has also started making inroads in other avenues of green energy like hydrogen. NTPC awarded project of 'Standalone Fuel-Cell based Micro-grid with hydrogen production using electrolyser' at NTPC Simhadri. On the other hand, the company recently issued tenders and has invited online bids from electrolyser technology providers, with whom the company intends to participate in upcoming tenders on green hydrogen. This tender intends to select electrolyser technology provider(s) for two years for polymer electrolyte membrane (PEM) technology of 400 megawatt (MW) and non-PEM technology of 600 MW.

What should investors do? With strong focus on alternative energy spectrum NTPC may be able to break the underperformance of the last decade and undergo a re-rating. We change our rating from HOLD to **BUY**.

Target Price and Valuation: We value NTPC at ₹ 190 i.e. 1.4x FY23E book value.

Alternate Stock Idea: Apart from NTPC, in our power coverage, we like IEX.

- Indian Energy Exchange (IEX) is the premier electricity exchange in India, which facilitates trading of electricity. We value IEX at ₹ 305 i.e. 57x P/E on FY24E EPS.

Key Financial Summary

(₹ Crore)	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 margin	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 (x)	13.1	15.4	11.3		11.0	9.8	
RoNW (%)	11.2	8.9	11.5		11.2	11.8	
RoCE (%)	5.8	4.8	5.8		5.5	5.6	

Source: Company, ICICI Direct Research



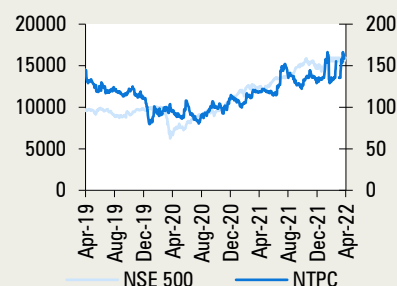
Particulars

Particular	Amount
Market Capitalization (₹ crore)	1,52,238
Total Debt (FY21) (₹ crore)	1,64,809
Cash and Inv (FY21) (₹ crore)	3,624
EV (FY22) (₹ crore)	3,24,388
52 week H/L (₹) (BSE)	166 / 100
Equity capital (₹ crore)	9,696.7
Face value (₹)	10.0

Shareholding pattern

	Jun-21	Sep-21	Dec-21	Mar-22
Promoter	51.1%	51.1%	51.1%	51.1%
FII	13.1%	13.5%	14.5%	14.7%
DII	33.0%	32.2%	31.1%	30.9%
Others	2.8%	3.2%	3.3%	3.2%

Price Chart



Recent event & key risks

- Under construction capacity of 17 GW, entry into Green Hydrogen segment
- Key Risk:** (i) Muted economic recovery to keep blended PLFs lower

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Financial Summary

Exhibit 1: 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 2: 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 Research

Exhibit 3: Balance Sheet ₹ crore				
(Year-end March)	FY20	FY21	FY22E	FY23E
Liabilities				
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
Assets				
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 4: Key ratios				
(Year-end March)	FY20	FY21	FY22E	FY23E
Per Share Data				
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
Operating Ratios(%)				
EBITDA Margin	27.7	29.0	28.1	28.5
PBT / Net Sales	14.8	15.4	12.8	11.5
PAT Margin	10.4	13.9	13.0	13.6
Inventory days	68.7	69.0	68.3	67.6
Debtor days	58.5	47.5	45.6	44.2
Creditor days	9.1	10.1	10.1	10.1
Return Ratios(%)				
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
Valuation Ratio(%)				
P/E	15.4	11.3	11.0	9.8
EV / EBITDA	12.0	11.3	10.6	9.2
EV / Net Sales	3.3	3.3	3.0	2.7
Market Cap / Sales	1.6	1.5	1.4	1.2
Price to Book Value	1.4	1.3	1.2	1.2
Solvency Ratio(%)				
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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