

**NTPC**

Refer to important disclosures at the end of this report

## Best of both worlds

- NTPC's board has accorded investment approval for Talcher Thermal Power Project Stage III (2x660MW) at an estimated cost of ~Rs118bn. This seems to be the first step towards adding ~5GW of brownfield thermal capacity in the medium term, as stated by the company in the previous quarter.
- We believe the recent power deficit in the country (April 2022 and October 2021 saw power cuts in a few states) has prompted this move by the company. Considering that battery energy storage system and pumped storage system are still in their early stages, round-the-clock solutions like brownfield thermal have found their importance in the industry.
- NTPC currently has ~11.5GW of RE projects under various stages (~2GW installed, ~4.1GW under construction, 2.2GW bids won, and 3.2GW under tendering).
- We maintain our March'23 TP of Rs188. NTPC is expected to monetize its RE assets in the near future and continues to target 60+GW RE assets by 2032. The incremental thermal assets will add to steady earnings growth. We maintain our Buy rating on NTPC.

- **Why thermal now?:** While many companies have indicated not to add any further thermal capacity, NTPC recently accorded investment approval for 1320MW brownfield Talcher plant. This is the first thermal investment that the company intends to do after several years. We believe the decision has been triggered by power cuts in a few states and strong upsurge in power demand. Power demand can see strong growth in the medium term with various schemes such as PLI and several initiatives by the government to improve manufacturing base in the country. A number of these activities might add to the country's peak demand, which only battery and other storage solutions can provide. Further, a number of old thermal units would retire due to lower efficiency and environmental concerns. Being a Maharatna company, NTPC has taken the initiative to add some brownfield capacity.
- **RE portfolio:** NTPC currently has ~11.5GW of RE projects under various stages (~2GW installed, ~4.1GW under construction, 2.2GW bids won, and 3.2GW under tendering). While the long-term target is 60GW by 2032, the company intends to have 14-15GW in the next few years. NTPC is setting up the country's largest Solar Park of 4.75GW in Gujarat and has invited bids for 3000MWh ESS and 500MWh BSS.
- **Valuation and Outlook:** NTPC, with ~69GW of capacity, has huge expansion plans over the next decade – 130GW by 2032 with 60GW of RE capacity. With 16GW of under-construction projects, it will add 4-5GW per year in the medium term. We believe while NTPC has shown its competitive stance on RE bids (~11GW under various stages), its recent decision to add ~5GW of thermal power provides steadiness in the earnings outlook going ahead. We maintain our Buy rating with March'23 TP of Rs188.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Eng. & Cap. Goods, Infra, Power \(Page 5\)](#)

### Financial Snapshot (Standalone)

| (Rs mn)           | FY21     | FY22      | FY23E     | FY24E     | FY25E     |
|-------------------|----------|-----------|-----------|-----------|-----------|
| Revenue           | 9,92,067 | 11,61,373 | 11,18,112 | 11,76,291 | 12,14,454 |
| EBITDA            | 2,88,034 | 3,38,457  | 3,63,526  | 3,88,159  | 3,94,233  |
| EBITDA Margin (%) | 29.0     | 29.1      | 32.5      | 33.0      | 32.5      |
| APAT              | 1,42,180 | 1,47,008  | 1,56,057  | 1,71,713  | 1,81,674  |
| EPS (Rs)          | 14.7     | 15.2      | 16.1      | 17.7      | 18.7      |
| EPS (% chg)       | 19.2     | 3.4       | 6.2       | 10.0      | 5.8       |
| ROE (%)           | 12.2     | 11.9      | 11.8      | 12.1      | 12.1      |
| P/E (x)           | 11.2     | 10.8      | 10.2      | 9.2       | 8.7       |
| EV/EBITDA (x)     | 11.1     | 9.7       | 9.0       | 8.5       | 8.4       |
| P/BV (x)          | 1.3      | 1.2       | 1.2       | 1.1       | 1.0       |

Source: Company, Emkay Research

| CMP                               | Target Price            |
|-----------------------------------|-------------------------|
| Rs 164<br>as of (August 29, 2022) | Rs 188 (■)<br>12 months |
| Rating                            | Upside                  |
| BUY (■)                           | 14.8 %                  |

### Change in Estimates

|                         |     |
|-------------------------|-----|
| EPS Chg FY23E/FY24E (%) | -/- |
| Target Price change (%) | -   |
| Target Period (Months)  | 12  |
| Previous Reco           | BUY |

### Emkay vs Consensus

|                         | EPS Estimates |       |
|-------------------------|---------------|-------|
|                         | FY23E         | FY24E |
| Emkay                   | 16.1          | 17.7  |
| Consensus               | 17.2          | 18.9  |
| Mean Consensus TP (12M) | Rs 185        |       |

### Stock Details

|                              |               |
|------------------------------|---------------|
| Bloomberg Code               | NTPC IN       |
| Face Value (Rs)              | 10            |
| Shares outstanding (mn)      | 9,697         |
| 52 Week H/L                  | 166 / 112     |
| M Cap (Rs bn/USD bn)         | 1,586 / 19.86 |
| Daily Avg Volume (nos.)      | 1,78,47,830   |
| Daily Avg Turnover (US\$ mn) | 33.6          |

### Shareholding Pattern Jun '22

|                   |       |
|-------------------|-------|
| Promoters         | 51.1% |
| FIIs              | 14.0% |
| DIIIs             | 31.3% |
| Public and Others | 3.6%  |

### Price Performance

| (%)           | 1M | 3M  | 6M | 12M |
|---------------|----|-----|----|-----|
| Absolute      | 9  | 6   | 26 | 45  |
| Rel. to Nifty | 2  | (2) | 19 | 37  |

### Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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**Key Financials (Standalone)****Income Statement**

| Y/E March (Rs mn)                | FY21            | FY22             | FY23E            | FY24E            | FY25E            |
|----------------------------------|-----------------|------------------|------------------|------------------|------------------|
| <b>Revenue</b>                   | <b>9,92,067</b> | <b>11,61,373</b> | <b>11,18,112</b> | <b>11,76,291</b> | <b>12,14,454</b> |
| <b>Expenditure</b>               | <b>7,04,034</b> | <b>8,22,916</b>  | <b>7,54,586</b>  | <b>7,88,132</b>  | <b>8,20,221</b>  |
| <b>EBITDA</b>                    | <b>2,88,034</b> | <b>3,38,457</b>  | <b>3,63,526</b>  | <b>3,88,159</b>  | <b>3,94,233</b>  |
| Depreciation                     | 1,04,118        | 1,12,341         | 1,23,681         | 1,32,548         | 1,35,114         |
| <b>EBIT</b>                      | <b>1,83,916</b> | <b>2,26,116</b>  | <b>2,39,845</b>  | <b>2,55,611</b>  | <b>2,59,118</b>  |
| Other Income                     | 47,996          | 52,172           | 42,593           | 47,937           | 58,324           |
| Interest expenses                | 74,590          | 73,509           | 87,367           | 88,907           | 90,350           |
| <b>PBT</b>                       | <b>1,57,321</b> | <b>2,04,778</b>  | <b>1,95,071</b>  | <b>2,14,641</b>  | <b>2,27,092</b>  |
| Tax                              | 19,254          | 43,664           | 39,014           | 42,928           | 45,418           |
| Extraordinary Items              | 4,113           | 0                | 0                | 0                | 0                |
| Minority Int./Income from Assoc. | 0               | 0                | 0                | 0                | 0                |
| <b>Reported Net Income</b>       | <b>1,38,067</b> | <b>1,61,114</b>  | <b>1,56,057</b>  | <b>1,71,713</b>  | <b>1,81,674</b>  |
| <b>Adjusted PAT</b>              | <b>1,42,180</b> | <b>1,47,008</b>  | <b>1,56,057</b>  | <b>1,71,713</b>  | <b>1,81,674</b>  |

**Balance Sheet**

| Y/E March (Rs mn)                          | FY21             | FY22             | FY23E            | FY24E            | FY25E            |
|--|------------------|------------------|------------------|------------------|------------------|
| Equity share capital                       | 96,967           | 96,967           | 96,967           | 96,967           | 96,967           |
| Reserves & surplus                         | 10,92,888        | 11,83,544        | 12,69,375        | 13,63,817        | 14,54,654        |
| <b>Net worth</b>                           | <b>11,89,855</b> | <b>12,80,511</b> | <b>13,66,342</b> | <b>14,60,784</b> | <b>15,51,621</b> |
| <b>Minority Interest</b>                   | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>0</b>         |
| <b>Loan Funds</b>                          | <b>16,40,894</b> | <b>17,06,471</b> | <b>17,47,348</b> | <b>17,78,139</b> | <b>18,07,005</b> |
| Net deferred tax liability                 | 91,610           | 1,00,063         | 1,00,063         | 1,00,063         | 1,00,063         |
| <b>Total Liabilities</b>                   | <b>29,22,358</b> | <b>30,87,044</b> | <b>32,13,753</b> | <b>33,38,986</b> | <b>34,58,689</b> |
| <b>Net block</b>                           | <b>16,44,489</b> | <b>18,00,658</b> | <b>17,72,086</b> | <b>18,16,872</b> | <b>17,33,091</b> |
| <b>Investment</b>                          | <b>2,86,257</b>  | <b>2,98,811</b>  | <b>3,18,811</b>  | <b>3,53,811</b>  | <b>3,91,311</b>  |
| <b>Current Assets</b>                      | <b>7,47,062</b>  | <b>7,58,528</b>  | <b>7,35,852</b>  | <b>7,62,059</b>  | <b>7,82,572</b>  |
| Cash & bank balance                        | 23,384           | 24,556           | 60,776           | 73,715           | 83,561           |
| Other Current Assets                       | 1,96,715         | 2,67,494         | 2,67,494         | 2,67,494         | 2,67,494         |
| <b>Current liabilities &amp; Provision</b> | <b>5,09,834</b>  | <b>4,57,924</b>  | <b>4,53,083</b>  | <b>4,56,510</b>  | <b>4,59,706</b>  |
| <b>Net current assets</b>                  | <b>2,37,228</b>  | <b>3,00,605</b>  | <b>2,82,769</b>  | <b>3,05,549</b>  | <b>3,22,867</b>  |
| Misc. exp                                  | 0                | 0                | 0                | 0                | 0                |
| <b>Total Assets</b>                        | <b>29,22,358</b> | <b>30,87,044</b> | <b>32,13,753</b> | <b>33,38,986</b> | <b>34,58,689</b> |

**Cash Flow**

| Y/E March (Rs mn)                     | FY21              | FY22              | FY23E             | FY24E             | FY25E             |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>PBT (Ex-Other income) (NI+Dep)</b> | <b>1,09,326</b>   | <b>1,52,607</b>   | <b>1,52,478</b>   | <b>1,66,704</b>   | <b>1,68,768</b>   |
| Other Non-Cash items                  | 0                 | 0                 | 0                 | 0                 | 0                 |
| Chg in working cap                    | 31,536            | (53,752)          | 54,057            | (9,842)           | (7,471)           |
| <b>Operating Cashflow</b>             | <b>2,70,578</b>   | <b>3,11,613</b>   | <b>4,28,736</b>   | <b>3,90,899</b>   | <b>3,96,854</b>   |
| Capital expenditure                   | (2,01,286)        | (2,01,097)        | (2,48,226)        | (2,00,000)        | (2,00,000)        |
| <b>Free Cash Flow</b>                 | <b>69,292</b>     | <b>1,10,516</b>   | <b>1,80,510</b>   | <b>1,90,899</b>   | <b>1,96,854</b>   |
| Investments                           | (22,248)          | (12,554)          | (20,000)          | (35,000)          | (37,500)          |
| Other Investing Cash Flow             | 2,494             | (47,374)          | (54,167)          | (59,511)          | (59,511)          |
| <b>Investing Cashflow</b>             | <b>(1,73,044)</b> | <b>(2,08,853)</b> | <b>(2,79,799)</b> | <b>(2,46,574)</b> | <b>(2,38,686)</b> |
| Equity Capital Raised                 | (1,979)           | 0                 | 0                 | 0                 | 0                 |
| Loans Taken / (Repaid)                | 35,013            | 65,577            | 40,877            | 30,791            | 28,866            |
| Dividend paid (incl. tax)             | (55,311)          | (69,331)          | (70,226)          | (77,271)          | (90,837)          |
| Other Financing Cash Flow             | 626               | (24,325)          | 4,000             | 4,000             | 4,000             |
| <b>Financing Cashflow</b>             | <b>(96,241)</b>   | <b>(1,01,588)</b> | <b>(1,12,716)</b> | <b>(1,31,387)</b> | <b>(1,48,321)</b> |
| <b>Net chg in cash</b>                | <b>1,293</b>      | <b>1,172</b>      | <b>36,220</b>     | <b>12,938</b>     | <b>9,846</b>      |
| Opening cash position                 | 22,091            | 23,384            | 24,556            | 60,776            | 73,715            |
| <b>Closing cash position</b>          | <b>23,384</b>     | <b>24,556</b>     | <b>60,776</b>     | <b>73,715</b>     | <b>83,561</b>     |

Source: Company, Emkay Research

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**Key Ratios**

| <b>Profitability (%)</b> | <b>FY21</b> | <b>FY22</b> | <b>FY23E</b> | <b>FY24E</b> | <b>FY25E</b> |
|--------------------------|-------------|-------------|--------------|--------------|--------------|
| EBITDA Margin            | 29.0        | 29.1        | 32.5         | 33.0         | 32.5         |
| EBIT Margin              | 18.5        | 19.5        | 21.5         | 21.7         | 21.3         |
| Effective Tax Rate       | 12.2        | 21.3        | 20.0         | 20.0         | 20.0         |
| Net Margin               | 13.9        | 13.9        | 14.0         | 14.6         | 15.0         |
| ROCE                     | 8.1         | 9.3         | 9.0          | 9.3          | 9.3          |
| ROE                      | 12.2        | 11.9        | 11.8         | 12.1         | 12.1         |
| RoIC                     | 8.8         | 9.0         | 9.4          | 10.1         | 10.3         |

| <b>Per Share Data (Rs)</b> | <b>FY21</b> | <b>FY22</b> | <b>FY23E</b> | <b>FY24E</b> | <b>FY25E</b> |
|----------------------------|-------------|-------------|--------------|--------------|--------------|
| EPS                        | 14.7        | 15.2        | 16.1         | 17.7         | 18.7         |
| CEPS                       | 25.4        | 26.7        | 28.8         | 31.4         | 32.7         |
| BVPS                       | 122.7       | 132.1       | 140.9        | 150.6        | 160.0        |
| DPS                        | 5.7         | 7.0         | 7.2          | 8.0          | 9.4          |

| <b>Valuations (x)</b> | <b>FY21</b> | <b>FY22</b> | <b>FY23E</b> | <b>FY24E</b> | <b>FY25E</b> |
|-----------------------|-------------|-------------|--------------|--------------|--------------|
| PER                   | 11.2        | 10.8        | 10.2         | 9.2          | 8.7          |
| P/CEPS                | 5.6         | 5.3         | 4.9          | 4.5          | 4.3          |
| P/BV                  | 1.3         | 1.2         | 1.2          | 1.1          | 1.0          |
| EV / Sales            | 3.2         | 2.8         | 2.9          | 2.8          | 2.7          |
| EV / EBITDA           | 11.1        | 9.7         | 9.0          | 8.5          | 8.4          |
| Dividend Yield (%)    | 3.5         | 4.3         | 4.4          | 4.9          | 5.7          |

| <b>Gearing Ratio (x)</b> | <b>FY21</b> | <b>FY22</b> | <b>FY23E</b> | <b>FY24E</b> | <b>FY25E</b> |
|--------------------------|-------------|-------------|--------------|--------------|--------------|
| Net Debt/ Equity         | 1.4         | 1.3         | 1.2          | 1.2          | 1.1          |
| Net Debt/EBIDTA          | 5.6         | 5.0         | 4.6          | 4.4          | 4.4          |
| Working Cap Cycle (days) | 78.7        | 86.8        | 72.5         | 71.9         | 71.9         |

| <b>Growth (%)</b> | <b>FY21</b> | <b>FY22</b> | <b>FY23E</b> | <b>FY24E</b> | <b>FY25E</b> |
|-------------------|-------------|-------------|--------------|--------------|--------------|
| Revenue           | 1.5         | 17.1        | (3.7)        | 5.2          | 3.2          |
| EBITDA            | 6.3         | 17.5        | 7.4          | 6.8          | 1.6          |
| EBIT              | (0.4)       | 22.9        | 6.1          | 6.6          | 1.4          |
| PAT               | 36.5        | 16.7        | (3.1)        | 10.0         | 5.8          |

| <b>Quarterly (Rs mn)</b> | <b>Q4FY21</b> | <b>Q1FY22</b> | <b>Q2FY22</b> | <b>Q3FY22</b> | <b>Q4FY22</b> |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue                  | 2,65,669      | 2,60,385      | 2,83,290      | 2,88,648      | 3,29,050      |
| EBITDA                   | 65,078        | 74,389        | 72,244        | 90,619        | 1,01,206      |
| <b>EBITDA Margin (%)</b> | <b>24.5</b>   | <b>28.6</b>   | <b>25.5</b>   | <b>31.4</b>   | <b>30.8</b>   |
| PAT                      | 44,792        | 31,456        | 32,119        | 41,320        | 56,219        |
| <b>EPS (Rs)</b>          | <b>4.6</b>    | <b>3.2</b>    | <b>3.3</b>    | <b>4.3</b>    | <b>5.8</b>    |

Source: Company, Emkay Research

| <b>Shareholding Pattern (%)</b> | <b>Jun-21</b> | <b>Sep-21</b> | <b>Dec-21</b> | <b>Mar-22</b> | <b>Jun-22</b> |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Promoters                       | 51.1          | 51.1          | 51.1          | 51.1          | 51.1          |
| FIIIs                           | 13.1          | 13.5          | 14.5          | 14.7          | 14.0          |
| DIIIs                           | 32.9          | 32.0          | 30.9          | 30.8          | 31.3          |
| Public and Others               | 2.8           | 3.4           | 3.5           | 3.4           | 3.6           |

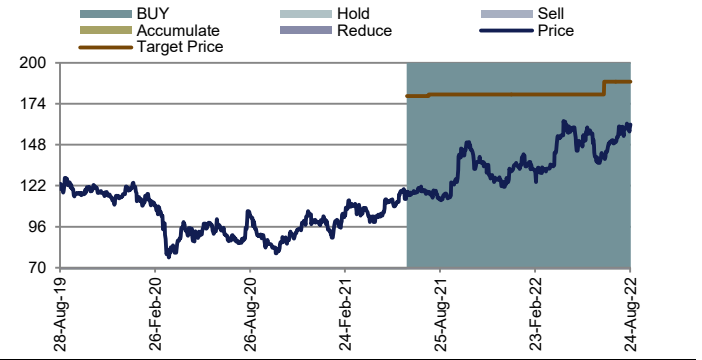
Source: Capitaline

## RECOMMENDATION HISTORY TABLE

| Date      | Closing Price | TP  | Period (months) | Rating | Analyst        |
|-----------|---------------|-----|-----------------|--------|----------------|
| 05-Jul-22 | 141           | 188 | 12m             | Buy    | Abhineet Anand |
| 30-Jan-22 | 140           | 180 | 12m             | Buy    | Abhineet Anand |
| 27-Dec-21 | 122           | 180 | 12m             | Buy    | Abhineet Anand |
| 31-Oct-21 | 133           | 180 | 12m             | Buy    | Abhineet Anand |
| 29-Sep-21 | 141           | 180 | 12m             | Buy    | Abhineet Anand |
| 03-Aug-21 | 118           | 180 | 12m             | Buy    | Abhineet Anand |
| 22-Jun-21 | 118           | 179 | 12m             | Buy    | Abhineet Anand |

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

## Emkay Alpha Portfolio – Eng. & Capital Goods, Infra, Power



### Analyst: Abhineet Anand

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#### Sector

Engineering, Infra and Power

#### Analyst bio

Abhineet has experience of over 19 years in Engineering, Infrastructure and Power sectors as Analyst, Consultant and Engineer. Abhineet has completed his B.E. in Mechanical Engineering and PGDM in Finance from IIM Kozhikode.

### EAP sector portfolio

| Company Name   | BSE200 Weight | EAP Weight  | OW/UW (%) | OW/UW (bps) | EAP Weight based on Current NAV | Change vs last published EAP (bps) |
|--|---------------|-------------|-----------|-------------|---------------------------------|------------------------------------|
| <b>Engineering &amp; Capital Goods, Infra, Power</b> | <b>3.74</b>   | <b>3.74</b> | <b>0%</b> | <b>0</b>    | <b>100.00</b>                   |                                    |
| Action Construction Equipments                       | 0.00          | 0.00        | NA        | 0           | 0.00                            | 0                                  |
| HG Infra Engineering                                 | 0.00          | 0.00        | NA        | 0           | 0.00                            | 0                                  |
| Kalpataru Power                                      | 0.00          | 0.00        | NA        | 0           | 0.00                            | 0                                  |
| KEC International                                    | 0.00          | 0.00        | NA        | 0           | 0.00                            | 0                                  |
| Larsen & Toubro                                      | 2.18          | 1.56        | -29%      | -62         | 41.63                           | 0                                  |
| CESC   | 0.00          | 0.36        | NA        | 36          | 9.68                            | 0                                  |
| NHPC   | 0.09          | 0.37        | 305%      | 28          | 9.95                            | 0                                  |
| NTPC   | 0.72          | 0.74        | 1%        | 1           | 19.67                           | 0                                  |
| Power Grid Corporation                               | 0.74          | 0.71        | -4%       | -3          | 19.06                           | 0                                  |
| <b>Cash</b>  | <b>0.00</b>   | <b>0.00</b> | <b>NA</b> | <b>0</b>    | <b>0.00</b>                     | <b>0</b>                           |

Source: Emkay Research

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

### Sector portfolio NAV

|   | Base     |           |           |           |           | Latest    |
|---|----------|-----------|-----------|-----------|-----------|-----------|
|   | 1-Apr-19 | 25-Aug-21 | 25-Feb-22 | 25-May-22 | 25-Jul-22 | 25-Aug-22 |
| EAP - Engineering & Capital Goods, Infra, Power | 100.0    | 120.2     | 131.7     | 118.5     | 108.1     | 117.3     |
| BSE200 Neutral Weighted Portfolio (ETF)         | 100.0    | 116.5     | 129.0     | 117.7     | 109.3     | 116.1     |

\*Performance measurement base date 1<sup>st</sup> April 2019

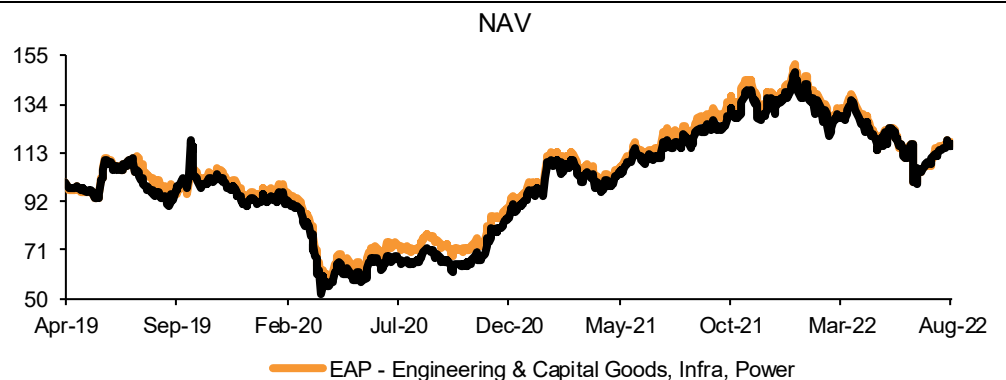
Source: Emkay Research

### Price Performance (%)

|   | 1m   | 3m    | 6m     | 12m   |
|---|------|-------|--------|-------|
| EAP - Engineering & Capital Goods, Infra, Power | 8.5% | -1.1% | -11.0% | -2.4% |
| BSE200 Neutral Weighted Portfolio (ETF)         | 6.2% | -1.4% | -10.0% | -0.4% |

Source: Emkay Research

### NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

## Emkay Rating Distribution

| Ratings | Expected Return within the next 12-18 months. |
|---------|---|
| BUY     | Over 15%                                      |
| HOLD    | Between -5% to 15%                            |
| SELL    | Below -5%                                     |

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