

NTPC

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Who has the capacity now?

CMP	Target Price
Rs 166 as of (January 28, 2023)	Rs 200 (■) 12 months
Rating	Upside
BUY (■)	20.0 %

Result highlights

- NTPC reported adjusted PAT of Rs44.2bn – 18% YoY growth in 3Q, taking 9MFY23 growth to ~10% YoY. PAT was above consensus/our estimates, with under-recovery coming down and 3Q turning out to be a decent quarter from the incentive perspective.
- PAF for coal units stood at 92.67% in 3QFY23 vs 85.98%. Coal PLF for 9MFY23 stands at 74.45% vs 69.1% YoY. Utilization of NTPC units have been on the rise since the last few years, on strong power demand in the country. We believe that given the high operational standard of NTPC units, PLFs can go above 90% in coming years, if demand growth continues.
- We maintain BUY with Mar-24 TP of Rs200. We raise our EPS estimates by ~4% each for FY23/FY24/FY25. High utilization, strong capacity addition and RE monetization are all positives for the company, in our view.
- FY23 PAT growth to be ~10% YoY:** We estimated 10% EPS growth for FY23 on the back of capacity addition, lower under-recovery and higher incentives. 9MFY23 PAT growth stands at ~10% YoY, despite the lower PAT for JVs/subsidiaries, which can see recovery in FY24. Our FY24E EPS growth also stands at 10%, indicating a strong earnings trajectory. Over the last one year (since Dec-21), NTPC/NTPC Group have added 2.2GW/3.1GW capacity, respectively.
- Who has the capacity now?:** Power demand in India has been on the upswing and, given the demand-supply dynamics, PLF of existing units is expected to rise from current levels. At the end of 9MFY23, NTPC-coal/All-India thermal units clocked ~75%/~63% PLF. Given the low coal plant additions in the recent past, companies like NTPC with a high coal asset base and operational capability will benefit from the surge in demand in coming times.
- RE target and monetization:** NTPC targets 60GW RE capacity by 2032. Of this, 40GW would come through competitive bid, 5GW through CPSUs and ~15GW for merchant/replacement of high cost coal with Solar during day/C&I/ hydrogen. Presently, ~11GW of RE capacity is under various stages – 3GW operational, ~5GW under construction ~3GW bids won. Management pointed that they are looking to monetize 10-20% of its Green portfolio.
- Valuation and outlook:** We maintain our Mar-24 TP of Rs200/share, with BUY rating. We raise our FY23/FY24/FY25 EPS estimate by ~4% each. NTPC (~71GW installed capacity) has ~18GW of projects under construction – 11GW coal, ~5GWRE and ~2GW of Hydro – majority of which will be commissioned over the next 3 years. We expect ~8% EPS CAGR in the medium term, with 12.2% RoE. Improvement in PLF, capacity addition and RE monetization are all positives.

Financial Snapshot (Standalone)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	9,92,067	11,61,373	11,26,436	11,85,048	12,23,495
EBITDA	2,88,034	3,38,457	3,71,850	3,96,916	4,03,273
EBITDA Margin (%)	29.0	29.1	33.0	33.5	33.0
APAT	1,42,180	1,47,008	1,62,552	1,78,571	1,89,334
EPS (Rs)	14.7	15.2	16.8	18.4	19.5
EPS (% chg)	19.2	3.4	10.6	9.9	6.0
ROE (%)	12.2	11.9	12.3	12.6	12.5
P/E (x)	11.3	11.0	9.9	9.0	8.5
EV/EBITDA (x)	11.5	9.7	8.8	8.3	8.2
P/BV (x)	1.4	1.3	1.2	1.1	1.0

Source: Company, Emkay Research

Change in Estimates

EPS Chg FY23E/FY24E (%)	4.3/4.1
Target Price change (%)	(0.0)
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY23E	FY24E
Emkay	16.8	18.4
Consensus	16.9	19.0
Mean Consensus TP (12M)	Rs 199	

Stock Details

Bloomberg Code	NTPC IN
Face Value (Rs)	10
Shares outstanding (mn)	9,697
52 Week H/L	183 / 124
M Cap (Rs bn/USD bn)	1,613 / 19.78
Daily Avg Volume (nos.)	117,52,270
Daily Avg Turnover (USD mn)	24.6

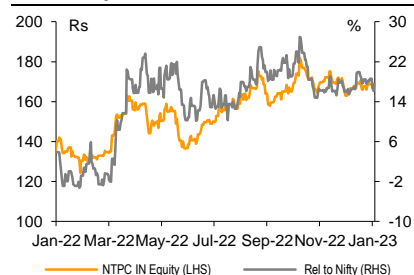
Shareholding Pattern Dec '22

Promoters	51.1%
FIIIs	15.7%
DIIIs	30.5%
Public and Others	2.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	1	(3)	11	23

Relative price trend



Source: Bloomberg

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Exhibit 1: Change in Estimates

Y/E, Mar (Rs mn)	FY23E			FY24E			FY25E		
	Earlier	Revised	Change	Earlier	Revised	Change	Earlier	Revised	Change
Revenue	11,18,112	11,26,436	0.7%	11,76,291	11,85,048	0.7%	12,14,454	12,23,495	0.7%
EBITDA	3,63,526	3,71,850	2.3%	3,88,159	3,96,916	2.3%	3,94,233	4,03,273	2.3%
EBITDAM (%)	32.5%	33.0%	50 bps	33.0%	33.5%	50 bps	32.5%	33.0%	50 bps
APAT	1,56,057	1,62,552	4.2%	1,71,713	1,78,571	4.0%	1,81,674	1,89,334	4.2%
EPS (Rs)	16.1	16.8	4.2%	17.7	18.4	4.0%	18.7	19.5	4.2%

Source: Company, Emkay Research

Exhibit 2: Quarterly Estimates

(Rs mn)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	YoY (%)	QoQ (%)
Revenue	2,60,385	2,94,712	2,88,648	3,29,050	4,00,263	4,10,151	4,14,105	43.5	1.0
Expenditure	(1,85,996)	(2,17,480)	(1,98,029)	(2,27,845)	(3,02,814)	(3,18,803)	(2,81,713)	42.3	-11.6
as % of sales	-71.4%	-73.8%	-68.6%	-69.2%	-75.7%	-77.7%	-68.0%		
Fuel cost	(1,49,198)	(1,80,325)	(1,64,309)	(1,87,676)	(2,66,051)	(2,72,242)	(2,18,920)	33.2	-19.6
as % of sales	-57.3%	-61.2%	-56.9%	-57.0%	-66.5%	-66.4%	-52.9%		
Employee Cost	(12,578)	(13,598)	(13,265)	(13,709)	(13,295)	(12,074)	(14,978)	12.9	24.1
as % of sales	-4.8%	-4.6%	-4.6%	-4.2%	-3.3%	-2.9%	-3.6%		
Other expenditure	(24,220)	(23,557)	(20,455)	(26,460)	(23,469)	(34,488)	(47,815)	133.8	38.6
as % of sales	-9.3%	-8.0%	-7.1%	-8.0%	-5.9%	-8.4%	-11.5%		
EBITDA	74,389	77,232	90,619	1,01,206	97,449	91,348	1,32,392	46.1	44.9
Depreciation	(26,754)	(29,408)	(28,914)	(29,459)	(31,442)	(32,872)	(33,121)	14.6	0.8
EBIT	47,636	47,824	61,705	71,747	66,007	58,477	99,271	60.9	69.8
Other Income	7,637	8,347	9,723	12,250	6,994	7,958	7,383	-24.1	-7.2
Interest	(19,886)	(19,436)	(17,338)	(19,122)	(21,729)	(23,503)	(28,744)	65.8	22.3
Regulatory Deferral	7,874	4,597	(571)	1,398	(299)	8,121	(17,335)	2938.0	-313.5
PBT	43,261	41,331	53,520	66,273	50,973	51,053	60,575	13.2	18.7
Total Tax	11,805	9,764	12,200	10,054	13,804	17,741	15,812	29.6	-10.9
Reported PAT	31,456	31,567	41,320	56,219	37,170	33,312	44,763	8.3	34.4
Extra ordinary items	0	0	0	0	0	0	0		
Adjusted PAT	31,629	33,530	37,580	45,600	37,170	35,950	44,240	17.7	23.1
Adjusted EPS (Rs)	3.3	3.5	3.7	4.7	3.8	3.7	4.4	17.7	23.1

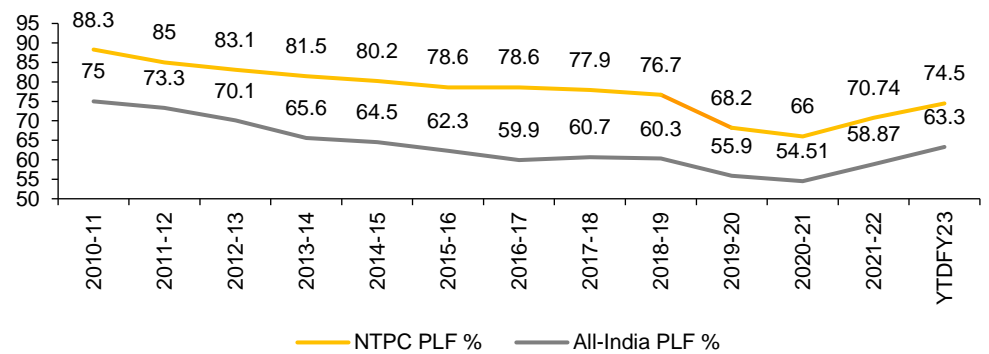
Margins (%)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	(bps)	(bps)
EBITDA	28.6	26.2	31.4	30.8	24.3	22.3	32.0	58	970
EBIT	18.3	16.2	21.4	21.8	16.5	14.3	24.0	260	972
EBT	16.6	14.0	18.5	20.1	12.7	12.4	14.6	-391	218
APAT	12.1	11.4	13.0	13.9	9.3	8.8	10.7	-234	192
Effective Tax rate	27.3	23.6	22.8	15.2	27.1	34.8	26.1	331	-865

Source: Company, Emkay Research

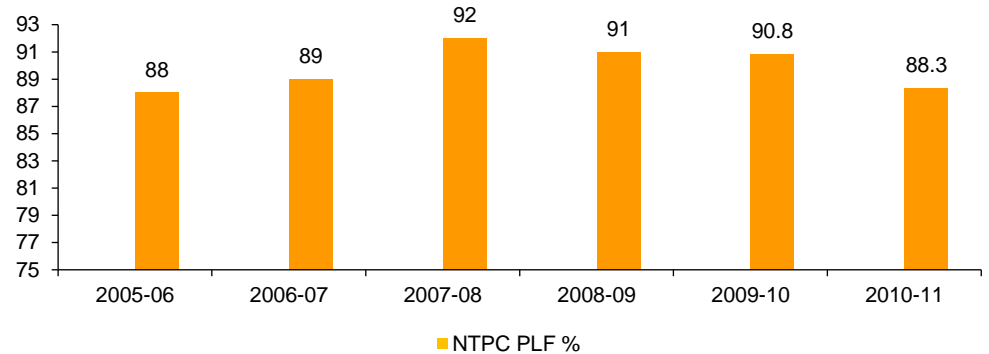
Exhibit 3: SoTP-based valuation

	Value (Rs mn)	Multiple (x)	Comments	Value (Rs mn)	Per share (Rs)
Regulated equity	8,84,500	1.4	CoD in FY25	11,82,168	122
Investments in Subs and JVs	2,69,090	1	At book value	2,69,090	28
Investment in RE	1,50,000	1	12GW in medium term	1,50,000	15
Others (FGD/Coal mine)	76000/100000	1/1.4		2,16,000	22
Cash on books	45,000	1	At book value	45,000	5
Dividend over 12 months					8
Total					200

Source: Company, Emkay Research

Exhibit 4: Coal PLFs (%) have started to ramp up and can further rise

Source: Industry, Emkay Research

Exhibit 5: NTPC coal units had average PLF of ~90% during FY06-11, when the country was in deficit

Source: Industry, Emkay Research

Key Financials (Standalone)

Income Statement

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	9,92,067	11,61,373	11,26,436	11,85,048	12,23,495
Expenditure	7,04,034	8,22,916	7,54,586	7,88,132	8,20,221
EBITDA	2,88,034	3,38,457	3,71,850	3,96,916	4,03,273
Depreciation	1,04,118	1,12,341	1,23,995	1,32,862	1,35,429
EBIT	1,83,916	2,26,116	2,47,854	2,64,054	2,67,845
Other Income	47,624	52,172	43,027	48,370	58,758
Interest expenses	74,590	73,509	87,691	89,210	89,935
PBT	1,56,949	2,04,778	2,03,190	2,23,214	2,36,668
Tax	19,254	43,664	40,638	44,643	47,334
Extraordinary Items	4,485	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	1,37,695	1,61,114	1,62,552	1,78,571	1,89,334
Adjusted PAT	1,42,180	1,47,008	1,62,552	1,78,571	1,89,334

Balance Sheet

Y/E Mar (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	12,72,948	13,71,162	14,65,829
Net worth	11,89,855	12,80,511	13,69,914	14,68,128	15,62,795
Minority Interest	0	0	0	0	0
Loan Funds	17,36,162	17,06,471	17,53,816	17,84,203	17,98,690
Net deferred tax liability	91,610	1,00,063	1,00,063	1,00,063	1,00,063
Total Liabilities	30,17,627	30,87,044	32,23,794	33,52,394	34,61,548
Net block	16,44,489	18,00,658	17,72,660	18,17,132	17,33,036
Investment	2,86,256	2,98,811	3,28,811	3,68,811	4,18,811
Current Assets	7,46,639	7,58,528	8,29,690	8,53,957	8,71,154
Cash & bank balance	23,385	24,556	94,369	1,02,232	1,06,706
Other Current Assets	1,96,716	2,67,494	2,67,494	2,67,494	2,67,494
Current liabilities & Provision	4,14,143	4,57,924	4,37,006	4,39,810	4,42,425
Net current assets	3,32,497	3,00,605	3,92,684	4,14,147	4,28,730
Misc. exp	0	0	0	0	0
Total Assets	30,17,627	30,87,044	32,23,793	33,52,394	34,61,548

Cash Flow

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT (Ex-Other income) (NI+Dep)	1,09,325	1,52,607	1,60,163	1,74,843	1,77,910
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(63,732)	41,516	(22,266)	(13,600)	(10,109)
Operating Cashflow	1,75,310	4,06,881	3,59,113	3,94,183	4,01,342
Capital expenditure	(2,01,286)	(2,01,097)	(1,38,665)	(2,00,000)	(1,80,000)
Free Cash Flow	(25,976)	2,05,784	2,20,448	1,94,183	2,21,342
Investments	(22,247)	(12,554)	(30,000)	(40,000)	(50,000)
Other Investing Cash Flow	2,494	(47,374)	(54,167)	(59,511)	(59,511)
Investing Cashflow	(1,73,416)	(2,08,854)	(1,79,805)	(2,51,141)	(2,30,753)
Equity Capital Raised	(1,979)	0	0	0	0
Loans Taken / (Repaid)	1,30,281	(29,691)	47,346	30,386	14,487
Dividend paid (incl tax)	(55,311)	(69,331)	(73,148)	(80,357)	(94,667)
Other Financing Cash Flow	999	(24,325)	4,000	4,000	4,000
Financing Cashflow	(600)	(1,96,856)	(1,09,494)	(1,35,181)	(1,66,114)
Net chg in cash	1,294	1,171	69,814	7,862	4,475
Opening cash position	22,091	23,385	24,556	94,369	1,02,232
Closing cash position	23,385	24,556	94,370	1,02,231	1,06,707

Source: Company, Emkay Research

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Key Ratios

Profitability (%)	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin	29.0	29.1	33.0	33.5	33.0
EBIT Margin	18.5	19.5	22.0	22.3	21.9
Effective Tax Rate	12.3	21.3	20.0	20.0	20.0
Net Margin	13.9	13.9	14.4	15.1	15.5
ROCE	7.9	9.1	9.2	9.5	9.6
ROE	12.2	11.9	12.3	12.6	12.5
RoIC	8.6	8.8	9.6	10.1	10.2

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	14.7	15.2	16.8	18.4	19.5
CEPS	25.4	26.7	29.6	32.1	33.5
BVPS	122.7	132.1	141.3	151.4	161.2
DPS	5.7	5.7	7.5	8.3	9.8

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	11.3	11.0	9.9	9.0	8.5
P/CEPS	6.5	6.2	5.6	5.2	5.0
P/BV	1.4	1.3	1.2	1.1	1.0
EV / Sales	3.3	2.8	2.9	2.8	2.7
EV / EBITDA	11.5	9.7	8.8	8.3	8.2
Dividend Yield (%)	3.4	3.4	4.5	5.0	5.9

Gearing Ratio (x)	FY21	FY22	FY23E	FY24E	FY25E
Net Debt/ Equity	1.4	1.3	1.2	1.1	1.1
Net Debt/EBIDTA	5.9	5.0	4.5	4.2	4.2
Working Cap Cycle (days)	113.7	86.8	96.7	96.1	96.1

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	1.5	17.1	(3.0)	5.2	3.2
EBITDA	6.3	17.5	9.9	6.7	1.6
EBIT	(0.4)	22.9	9.6	6.5	1.4
PAT	36.2	17.0	0.9	9.9	6.0

Quarterly (Rs mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Revenue	2,88,648	3,29,050	4,00,263	4,10,151	4,14,105
EBITDA	90,619	1,01,206	97,449	91,348	1,32,392
EBITDA Margin (%)	31.4	30.8	24.3	22.3	32.0
PAT	36,249	45,600	37,170	35,950	42,440
EPS (Rs)	3.7	4.7	3.8	3.7	4.4

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Promoters	51.1	51.1	51.1	51.1	51.1
FII	14.5	14.7	14.0	15.0	15.7
DII	30.9	30.8	31.3	31.3	30.5
Public and Others	3.5	3.4	3.6	2.6	2.7

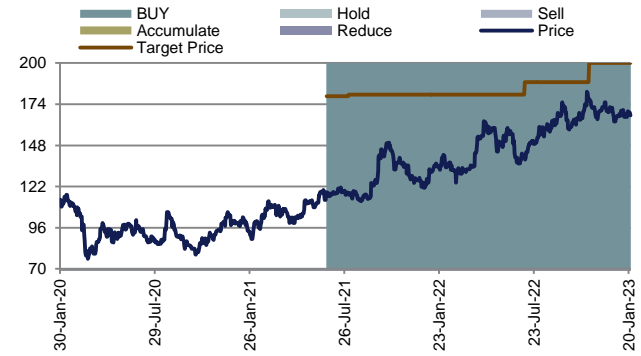
Source: Capitaline

RECOMMENDATION HISTORY (Rs/share)

Date	Closing Price	TP	Period	Rating	Analyst
04-Jan-23	167	200	12m	Buy	Abhineet Anand
06-Dec-22	175	200	12m	Buy	Abhineet Anand
05-Nov-22	177	200	12m	Buy	Abhineet Anand
11-Sep-22	167	188	12m	Buy	Abhineet Anand
29-Aug-22	161	188	12m	Buy	Abhineet Anand
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 (Rs/share)



Source: Bloomberg, Company, Emkay Research

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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