



3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗
+ Positive = Neutral - Negative			

What has changed in 3R MATRIX

	Old		New
RS	✓	↔	✓
RQ	✓	↔	✓
RV	✓	↔	✓

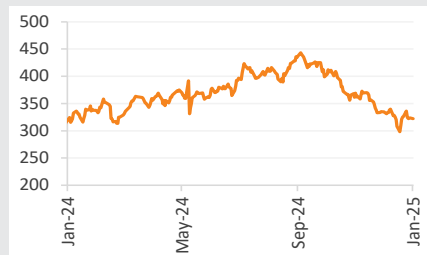
Company details

Market cap:	Rs. 3,12,233 cr
52-week high/low:	Rs. 448/297
NSE volume: (No of shares)	156.7 lakh
BSE code:	532555
NSE code:	NTPC
Free float: (No of shares)	474.2 cr

Shareholding (%)

Promoters	51.1
FII	18.2
DII	26.8
Others	3.9

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-3.9	-20.3	-18.8	2.3
Relative to Sensex	0.4	-14.5	-11.5	-4.3

Source: Mirae Asset Sharekhan Research, Bloomberg

NTPC Ltd

Soft Q3; capacity additions provides good outlook

Power	Sharekhan code: NTPC		
Reco/View: Buy	↔	CMP: Rs. 322	Price Target: Rs. 380
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- Results were weak on sluggish power demand and slow capacity additions.
- Q3FY25 adjusted standalone PAT was up 6% y-o-y to Rs. 4,618 crore with the regulated equity base growing 7% y-o-y to Rs. 90,289 crore. Consolidated adj. PAT of Rs. 4,964 crore was up 1% y-o-y with consolidated regulated equity base growing 5% y-o-y to Rs. 1,05,854 crore.
- NTPC plans to tender 7.2 GW of thermal capacities in the next 2-3 years apart from under-construction thermal capacities of 17.6 GW. Renewable energy capacity target remains strong of 3 GW/5 GW/8 GW addition in FY25/26/27.
- We maintain a Buy on NTPC with a revised PT of Rs. 380 (from Rs. 460 earlier). Valuation of 1.7x/1.6x FY26E/FY27E P/BV are reasonable given strong long-term growth prospects, and the stock offers a decent dividend yield as well.

Q3FY25 standalone adj. PAT grew by 6% y-o-y to Rs. 4,618 crore inline with the 7% increase in the regulated equity base. Standalone revenue of Rs. 41,352 crore was up only 4.8% y-o-y because of the weak power demand. Gross generation of 91.3BU was up 2% y-o-y. Plant load factor (PLF) - Coal stayed flat y-o-y at 76%, Gas decreased to 3.4% (vs 7.7% last year), Solar improved to 20.3% (vs 18.7% last year) while Hydro rose to 22.1% (vs 21.2% last year). The fixed cost under-recovery has improved to Rs. 468 crore from Rs. 706 crore in Q2 and company hopes to end Q4 at Rs. 250-300 crore. The total standalone and consolidated capacity stands at 59,168 MW/76,598 MW respectively. (155 MW capacity added q-o-q and 2,724 MW added y-o-y). NTPC's capacity addition plan is as follows: FY25 - 6.98 GW (2.8 GW thermal, 0.25 GW hydro and 4 GW RE), FY26 - 7.77 GW (1.46 GW thermal, 0.75 GW Hydro and 5.56 GW RE), FY27 - 9.9 GW (1.46 GW thermal, 0.44 GW Hydro and 8 GW RE). So, company plans to add more than 25 GW total capacity in the next three years with thermal capacity of ~5.5 GW. NTPC is targeting RE capacity of 20 GW by FY27 and 60 GW by FY32. Company has declared an interim dividend of Rs. 2.5/share.

Key positives

- Company has commissioned thermal capacity of 660 MW in January.

Key Negatives

- Company has only added 155 MW capacity to its portfolio in Q3. (Standalone capacity stands at 59,168 MW and consolidated capacity is 76,598 MW).
- Gross generation of 91.3BU was up only 2% y-o-y.

Management Commentary

- Thermal capacity of 17.6 GW is under construction and tender pipeline is of 7.2 GW. Till FY27, ~5.5 GW of capacity is to be added.
- Company intends to increase renewable capacity to 20 GW by FY26 and 60 GW by FY32 from 4.4 GW currently. The plan is to add 3 GW/5 GW/8 GW in FY25/26/27 respectively.
- The under recovery has improved by Rs. 238 crore in the quarter to Rs. 468 crore from Rs. 706 crore in Q2. Management expects it to go down to Rs. 250-300 crore by the end of FY25.
- The FGD capacity stands at 16.5 GW and work is in progress to add an additional capacity of 52 GW.

Revision in estimates: We have fine-tuned our estimates a little.

Our Call

Valuation - Maintain Buy on NTPC with a revised SoTP PT of Rs. 380: NTPC's risk-averse regulated business model provides earnings growth visibility/RoE improvement with strong expansion in both thermal and renewable capacities. Valuations at 1.7x/1.6x its FY26E/FY27E P/BV seem reasonable given potential long-term growth prospects and the stock offers a decent dividend yield as well. Hence, we maintain a Buy on NTPC with a SoTP target price of Rs. 380.

Key Risks

- Lower-than-expected additions to commercial capacity.
- Any write-off related to dues from discoms could impact valuation.

Valuation (consolidated)

	Rs cr				
Particulars	FY23	FY24	FY25E	FY26E	FY27E
Revenue	1,76,207	1,78,501	1,87,005	2,05,593	2,18,363
OPM (%)	27.1	28.6	30.1	31.1	31.6
Adjusted PAT	16,912	20,812	22,223	25,111	27,140
% YoY growth	1.4	23.1	6.8	13.0	8.1
Adjusted EPS (Rs.)	17.4	21.5	22.9	25.9	28.0
P/E (x)	18.5	15.0	14.1	12.4	11.5
P/B (x)	2.1	1.9	1.8	1.7	1.6
EV/EBITDA (x)	11.0	10.6	10.0	9.2	8.7
RoNW (%)	12.0	13.5	13.4	14.2	14.5
RoCE (%)	9.2	9.2	9.5	10.1	10.2

Source: Company; Mirae Asset Sharekhan estimates

Results (Standalone)

Rs cr

Particulars	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
Revenue	41,352	39,455	4.8	40,328	2.5
Total Expenditure	29,752	28,048	6.1	28,439	4.6
Adj. operating profit	11,600	11,407	1.7	11,888	-2.4
Other Income	951	833	14.2	917	3.6
Interest	2,203	2,783	-20.8	3,108	-29.1
Depreciation	3,722	3,491	6.6	3,647	2.1
Exceptional (income)/expense	0	0	NA	0	NA
PBT after exceptional items	6,626	5,966	11.1	6,051	9.5
Tax	1,915	1,394	37.3	1,402	36.6
Reported PAT	4,711	4,572	3.1	4,649	1.3
Reported EPS	4.86	4.71	3.1	4.79	1.3
Margins (%)			BPS		BPS
Adjusted OPM	28.1	28.9	-86	29.5	-143
Effective tax rate	28.9	23.4	553	23.2	573
NPM	11.4	11.6	-19	11.5	-13

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Regulated tariff model provides earnings visibility; reforms to strengthen companies' balance sheets

India's power sector is regulated by the CERC with an availability-based earnings model (fixed RoE on power generation assets) and, thus, the regulated tariff model provides strong earnings visibility for power-generation companies. Additionally, with improved plant availability factor (PAF) at thermal power plants, we expect fixed cost under-recoveries to decline for power companies. Moreover, the government's power sector package of over Rs. 3 lakh crore in the Budget would help power discoms clear dues of generation and transmission companies. This would reduce power sector's receivables and strengthen companies' balance sheet.

■ Company Outlook – Strong commercialisation target to drive 9.3% CAGR in PAT over FY2024-FY2027E

NTPC aims to add more than 5 GW of new commercial capacities annually in the next couple of years, which we believe would drive a decent 9.3% PAT CAGR over FY24-27E. The management has guided for robust growth in regulated equity, which makes us optimistic about NTPC's strong earnings growth potential over the next couple of years. Moreover, reduction in the overdue amount from discoms would strengthen NTPC's balance sheet.

■ Valuation – Maintain Buy on NTPC with a revised SoTP PT of Rs. 380

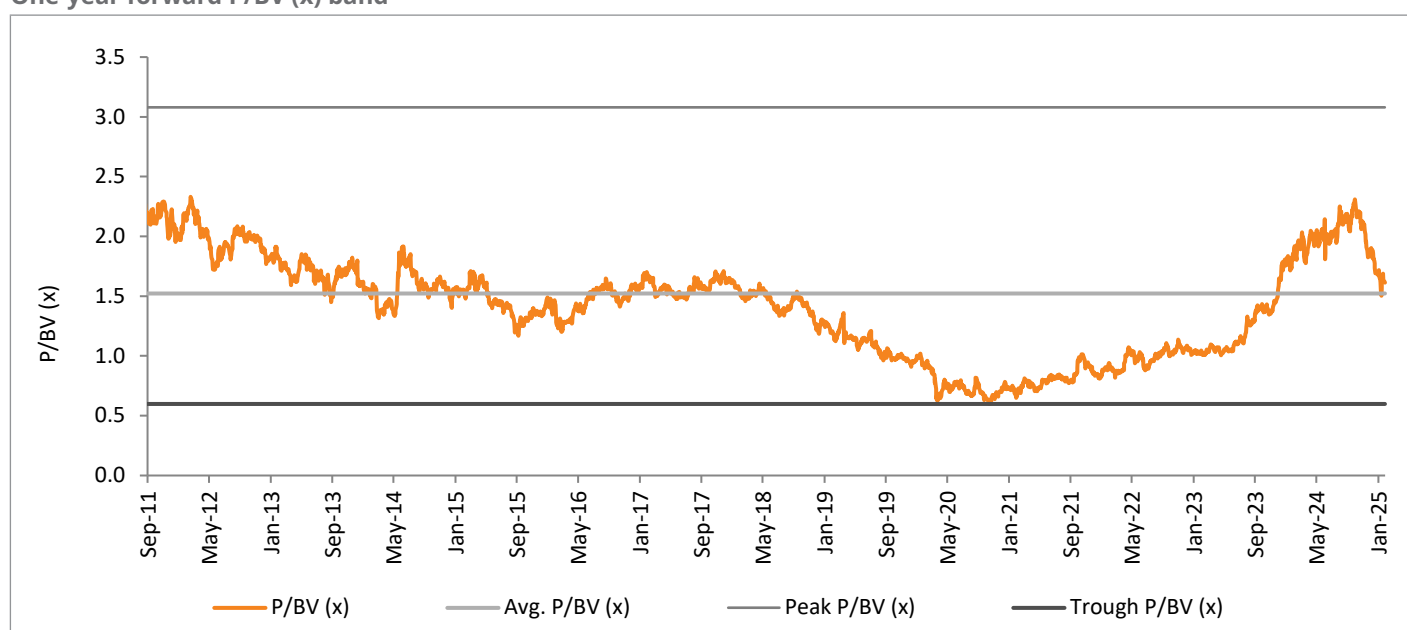
NTPC's risk-averse regulated business model provides earnings growth visibility/RoE improvement with strong expansion in both thermal and renewable capacities. Valuations at 1.7x/1.6x its FY26E/FY27E P/BV seem reasonable given potential long-term growth prospects and the stock offers a decent dividend yield as well. Hence, we maintain a Buy on NTPC with a SoTP target price of Rs. 380.

SoTP-based PT of Rs. 380

Particulars	Value (Rs/share)	Comments
Standalone regulated equity	235	2.5x FY27E regulated equity
Regulated equity for JV/Subs	48	2x FY27E regulated equity
CWIP	19	
Cash	5	
NTPC Green	73	25% discount of NTPC's stake at CMP
Total	380	

Source: Company; Mirae Asset Sharekhan Research

One-year forward P/BV (x) band



Source: Company; Mirae Asset Sharekhan Research

About the company

NTPC, established in 1975, is India's largest power generation company in India with an installed capacity of 76,598 MW as of Dec 31, 2024. The company plans to add ~25 GW of power capacity in the next three years. NTPC also provides consultancy services to entities in the power domain and is engaged in power trading through its subsidiary.

Investment theme

NTPC is expected to commercialise new capacities of >5-6 GW annually over the couple of years and the same is expected to drive good growth in regulated equity base. Thus, we expect strong earnings growth momentum to continue as NTPC earns more than 15% RoE on regulated equity. Moreover, with improvement in PAF of coal-based power plants, the company's fixed cost under-recoveries are expected to decline. NTPC trades at reasonable valuation and offers a healthy dividend yield.

Key Risks

- ♦ Lower-than-expected additions to commercial capacity.
- ♦ Any write-off related to dues from discoms could impact valuation.

Additional Data

Key management personnel

Gurdeep Singh	Chairman and Managing Director
Jaikumar Srinivasan	Director – Finance

Source: Company

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	ICICI Prudential Asset Management	4.28
2	Life Insurance Corp of India	3.97
3	Nippon Life India Asset Management	3.81
4	Republic of Singapore	2.42
5	Vanguard Group Inc/The	2.00
6	SBI Funds Management Ltd	1.93
7	HDFC Asset Management Co Ltd	1.91
8	Blackrock Inc	1.68
9	NPS Trust A/c Uti Retirement Solut	1.55
10	FMR LLC	1.11

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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