


3R MATRIX

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

What has changed in 3R MATRIX

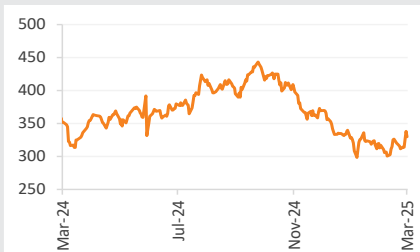
	Old		New
RS	✓	↔	✓
RQ	✓	↔	✓
RV	✓	↔	✓

Company details

Market cap:	Rs. 3,19,554 cr
52-week high/low:	Rs. 448/293
NSE volume: (No of shares)	144.9 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


Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	3.1	-10.8	-18.3	-6.3
Relative to Sensex	8.1	-1.8	-8.7	-6.7

Source: Mirae Asset Sharekhan Research, Bloomberg

NTPC Ltd
Thermal and renewable capacity additions to drive growth

Power	Sharekhan code: NTPC		
Reco/View: Buy	↔	CMP: Rs. 330	Price Target: Rs. 374
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- ♦ We maintain a Buy on NTPC with a revised PT of Rs. 374. Valuation of 1.8x/1.7x its FY26E/27 P/BV is reasonable given strong long-term growth prospects, and the stock offers a decent dividend yield as well.
- ♦ 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 3GW/5GW/8GW addition in FY25/26/27.
- ♦ Company is also planning on adding 30GW of nuclear capacity by FY45.

The power demand in YTD FY25 (till February) is up only 4.4% y-o-y because of the impact of the monsoon this year and weak economic activity. However, with a hot summer expected this year and temperatures expected to rise, power demand should pick-up. Moreover, the long-term power demand growth of ~7% CAGR should bode well for the sector. NTPC is going to add significant capacity inline with this and will reach 130GW capacity in FY32 from 76GW currently. Company plans to add 26GW thermal capacity till FY32. NTPC is targeting RE capacity of 20 GW by FY27 and 60 GW by FY32. In the next three years, total capacity of ~25GW is to be added and share of thermal capacity to be ~5.5 GW.

Thermal capacity: Company plans to increase its thermal capacity by 26GW by FY32 inline with the government's goal to add 80 GW of thermal power capacity by FY32 to meet rising electricity demand. Out of the 26GW, 17.6GW capacities are already under construction and company plans to tender 7.2GW of capacity in the next 2-3 years. Thermal capacity addition of 2.8GW/1.46GW/1.46GW is expected in FY25/26/27 respectively.

Renewable capacity: NTPC's renewable capacity stood at ~4.4GW at the end of Q3FY25 with ~0.5GW added in 9MFY25. Company has a strong target to add 3GW/5GW/8GW capacity in FY25/26/27 respectively with the capacity to be 20GW in FY27. The long-term plan is to have 60GW renewable capacity by FY32, constituting nearly 45% of its overall power generation capacity.

Other projects: In the Union Budget, the government outlined a significant push towards nuclear energy with an ambitious target of 100 GW nuclear power capacity by 2047. Within that, NTPC aims for 30GW capacity in the next two decades with capex of ~\$62 billion. NTPC has partnered with the Nuclear Power Corporation of India Limited (NPCIL) to form Anushakti Vidhyut Nigam Ltd. (ASHVINI), a joint venture company. A key project under ASHVINI is the 2,800 MW (4x700 MW) Mahi Banswara plant in Rajasthan with a capex of ~Rs. 50,000 crore. Additionally, NTPC has incorporated 'NTPC Paramanu Urja Nigam Limited', a wholly owned subsidiary for the nuclear business. In Pumped Storage Project (PSP), NTPC plans for 8-10GW capacity by FY32. NGEL, the green energy arm is developing a facility with a capacity of 1500TPD of green hydrogen and 7500 TPD of Green Hydrogen derivatives through a JV arrangement.

Our Call

Valuation – Maintain Buy on NTPC with a revised SoTP based PT of Rs. 374: NTPC's risk-averse regulated business model provides earnings growth visibility/RoE improvement with strong expansion in both thermal and renewable capacities. Valuations at 1.8x/1.7x 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. 374.

Key Risks

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

Valuation (Standalone)

	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)	18.9	15.4	14.4	12.7	11.8
P/B (x)	2.2	2.0	1.9	1.8	1.7
EV/EBITDA (x)	11.2	10.7	10.2	9.3	8.8
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

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 based PT of Rs. 374

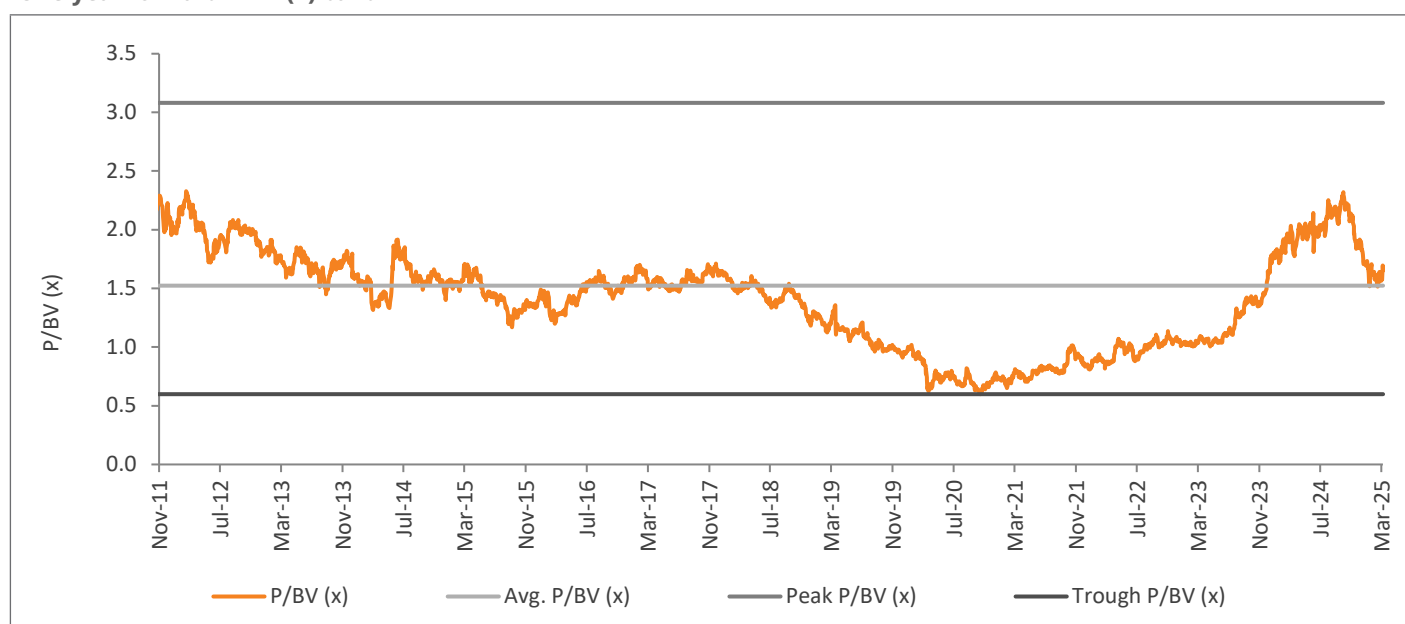
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SoTP-based PT of Rs. 374

Particulars	Value (Rs/share)	Comments
Standalone regulated equity (Rs crore)	235	2.5x FY27E regulated equity
Regulated equity for JV/Subs	50	2x FY27E regulated equity
CWIP	19	
Cash	5	
NTPC Green	65	25% discount of NTPC's stake
Total	374	

Source: Company; Mirae Asset Sharekhan Research

One-year forward P/BV (x) band



Source: Company; Mirae Asset Sharekhan Research

About 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

Management	Designation
Gurdeep Singh	Chairman and Managing Director
Jaikumar Srinivasan	Director – Finance

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	ICICI Prudential Asset Management	4.49
2	Life Insurance Corp of India	3.97
3	Nippon Life India Asset Management	3.92
4	Republic of Singapore	2.42
5	SBI Funds Management Ltd	2.11
6	Vanguard Group Inc/The	2.01
7	HDFC Asset Management Co Ltd	1.84
8	Blackrock Inc	1.70
9	NPS Trust A/c Uti Retirement Solut	1.55
10	FMR LLC	1.00

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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