

CMP: ₹ 410

Target: ₹ 500 (22%)

Target Period: 12 months

BUY

July 30, 2024

## Capacity addition momentum to continue...

About the stock: NTPC is India's largest power generation company with a total installed capacity of ~76000 MW at the group level as of Q1FY25.

- NTPC has 17% of total installed capacity in India with 24% generation share
- The company's vision is to become a 130 GW+ company by 2032 of which 60 GW would be contributed by renewable energy.

Q1FY25 performance: Gross generation and energy sold grew by 10.6% YoY (97.9 billion units) and 11% YoY (91.3 billion units) whereas the PLF of coal stations improved by 296 bps YoY to 80.4% in the quarter. The installed and commercial capacity as of Q1FY25 stood at 76048 MW each. The revenues for the quarter stood at Rs 44419.2 crore vs. Rs 39122 crore, up 14% YoY. The PAT grew by 11% YoY to Rs 4510.9 crore.

### Investment Rationale

- Adding thermal and scaling renewable; best combo:** NTPC has been the only company which has added coal-based capacities and reached an installed base of 76000 MW. Going ahead, NTPC is having ~21000 MW of capacities under construction out of which coal/Hydro and renewables stands at 9560/2255/9214 MW respectively. This we believe will lead to 11% generation growth supported by strong PLF's (averaging above national level PLF's) on thermal business and will help regulated equity growth at a CAGR of 9% from ₹ 87713 crore in FY24 to over ₹100000 crore by FY26E.
- Strong visibility on renewables, eyeing scale in the nuclear segment:** The company plans to reach 16000 MW of renewable capacity by FY27E. Currently, the company has 3500 MW of installed renewable capacity. It has also signed a supplementary JV agreement with NPCIL for development of nuclear power projects. Its also planning project of 2.8 GW capacity (Approximate Cost - 2017 level: ₹42,000 crore) and exploring SMR technology in collaboration with BARC.

### Rating and Target Price

- Strong presence in the thermal power capacity and strong scale up in the renewable space makes NTPC as our top pick in the utility space. Aggressive foray into the renewable space and other green energy avenues will keep NTPC in a sweet spot. Going ahead we believe monetisation of the green renewable subsidiary and strong capacity addition trajectory will drive good financial performance for the company in the medium to long run. We maintain our BUY rating on NTPC target pegged at ₹ 500 per share (based on 2.7x FY26E Book Value).

### Key Financial Summary

	FY22	FY23	FY24	5 year CAGR(FY18-FY24)	FY25E	FY26E	2 year CAGR(FY24-FY26E)
Net Sales	121174.6	163769.8	161985.0	8.9%	199363.4	221293.4	16.9%
EBITDA	36016.0	43228.4	43182.4	11.8%	59629.3	67831.9	25.3%
EBITDA Margins (%)	29.7	26.4	26.7		29.9	30.7	
Net Profit	16273.0	17196.7	18079.4	8.3%	25146.5	29064.6	26.8%
EPS (Rs)	16.4	17.4	18.2		25.4	29.3	
P/E	25.0	23.6	22.5		16.2	14.0	
RONW (%)	11.5	12.9	11.5		15.6	16.1	
ROCE (%)	9.1	10.7	9.8		13.3	13.8	

Source: Company, ICICI Direct Research



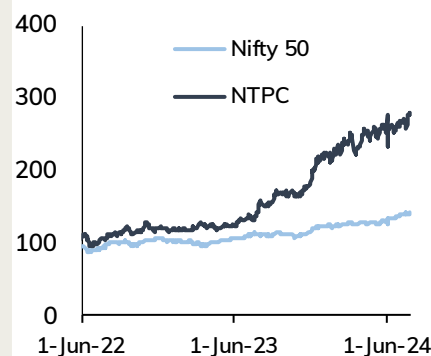
### Particulars

Particulars	₹ crore
Market Capitalisation	396,000
Debt (FY23)	222,252
Cash (FY23)	2,438
EV	615,814
52 week H/L (₹)	414/212
Equity capital	9,696.70
Face value (₹)	10

### Shareholding pattern

	Sep-23	Dec-23	Mar-24	Jun-24
Promoter	51.1%	51.1%	51.1%	51.1%
FII	15.8%	16.7%	17.1%	17.9%
DII	30.2%	29.0%	28.7%	27.6%
Others	2.9%	3.2%	3.1%	3.4%

### Price Chart



### Key risks

- Slowdown in power demand
- Delay in execution of renewable capacity

### Research Analyst

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## Key Result highlights

- The regulated equity stands at Rs 87700 crore as of FY24 whereas the consolidated regulated equity stands at ₹ 104000 crore.
- The total installed capacity and commissioned capacity stands at ~76000 MW at the group level as of Q1FY25.
- The company added 4 GW added in FY24 while capacity to the tune of 21 GW is under construction & 26 GW is under planning. The company expects thermal ordering of 15.2 GW over the next 2 years. The company is likely to execute Non-fossil capacity of 12 GW by FY30 (Estimated Capitalisation ₹75,000 crore)
- NTPC is having ~21000 MW of capacities under construction out of which coal/Hydro and renewables stands at 9560/2255/9214 MW respectively
- Cumulative coal mining capex stands at ₹ 10713 crore as of FY24.
- On the renewables front, the company has a operational capacity of 3500 MW whereas 9200 MW of capacity is under construction. The company expects capacity to reach at 16000 MW by FY27E.
- It has also signed a supplementary JV agreement with NPCIL for development of nuclear power projects. Its also planning project of 2.8 GW capacity (Approximate Cost - 2017 level: ₹42,000 crore) and exploring SMR technology in collaboration with BARC
- Gross generation and energy sold grew by 10.6% YoY (97.9 billion units) and 11% YoY (91.3 billion units) whereas the PLF of coal stations improved by 296 bps YoY to 80.4% in the quarter.

## Key Financials

Exhibit 1: Profit and loss statement		₹ crore			
(Year-end March)	FY23	FY24	FY25E	FY26E	
Total operating In	163,770	161,985	199,363	221,293	
Growth (%)	68	(1)	23	11	
Raw Material Exp	100,508	97,919	116,649	128,068	
Employee Expens	5,559	5,670	6,351	6,986	
Other expenses	14,475	15,213	16,735	18,408	
Total Operating E	120,541	118,803	139,734	153,461	
EBITDA	43,228	43,182	59,629	67,832	
Growth (%)	92	(0)	76	36	
Depreciation	13,137	13,943	17,145	18,810	
Interest	9,979	10,251	13,955	15,269	
Other Income	3,955	3,722	5,000	5,000	
PBT	24,067	22,711	33,529	38,753	
Others	(591)	1,969	0	0	
Total Tax	6,279	6,600	8,382	9,688	
PAT	17,197	18,079	25,146	29,065	
Adjusted PAT	17,197	18,079	25,146	29,065	
Growth (%)	70	5	39	16	
EPS	17.4	18.2	25.4	29.3	

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement		₹ crore			
(Year-end March)	FY23	FY24	FY25E	FY26E	
Profit Before Tax	17,197	18,079	25,146	29,065	
Add: Depreciation	13,137	13,943	17,145	18,810	
(Inc)/dec in Current Asses	(16,371)	1,207	(22,950)	(13,682)	
Inc/(dec) in CL and Prov	23,718	(956)	11,512	7,550	
Others	9,979	10,251	13,955	15,269	
CF from operating activ	32,965	42,023	67,685	69,276	
(Inc)/dec in Investments	2,246	30,739	8,500	(17,500)	
(Inc)/dec in Fixed Assets	(28,000)	(25,000)	(27,000)	(27,000)	
Others	0	1	2	3	
CF from investing activi	(25,754)	5,740	(18,498)	(44,497)	
Issue/(Buy back) of Equi	0	1	2	3	
Inc/(dec) in loan funds	29,164	44,015	36,706	16,819	
Dividend paid & divider	(8,902)	(8,902)	(9,189)	(8,916)	
Inc/(dec) in Sec. premiur	3	4	5	6	
Others	(9,979)	(10,251)	(13,955)	(15,269)	
CF from financing activi	10,286	24,867	13,568	(7,357)	
Net Cash flow	(16,301)	(11,394)	8,185	3,594	
Opening Cash	(4,855)	20,124	8,731	16,915	
Closing Cash	20,124	8,731	16,915	20,509	

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet		₹ crore			
(Year-end March)	FY23	FY24	FY25E	FY26E	
<b>Liabilities</b>					
Equity Capital	9,895	9,895	9,895	9,895	
Reserve and Surp	126,553	135,730	151,687	170,414	
Total Shareholder	136,447	145,624	161,582	180,308	
Total Debt	180,909	188,145	193,789	209,292	
AAD	1,947	1,947	1,947	1,947	
Minority Interest /	1,152	1,152	1,152	1,152	
Total Liabilities	320,454	336,868	358,469	392,699	
<b>Assets</b>					
Gross Block	323,995	343,995	363,995	383,995	
Less: Acc Depreci	95,919	96,432	96,959	97,566	
Net Block	228,076	247,563	267,036	286,429	
Capital WIP	73,067	88,067	103,067	133,067	
Total Fixed Assets	301,143	335,629	370,103	419,496	
Investments	30,739	32,239	32,239	32,239	
Inventory	18,081	17,820	20,960	23,019	
Debtors	16,377	16,199	19,936	22,129	
Loans and Advan	40,942	40,496	49,841	55,323	
Other Current Ass	29,479	29,157	35,885	39,833	
Cash	20,124	8,731	16,915	20,509	
Total Current Asses	125,003	112,403	143,538	160,814	
Creditors	19,889	19,602	23,056	25,321	
Other Liabilities	46,408	45,739	53,798	59,083	
Provisions	7,466	7,466	7,466	7,466	
Total Current Liab	73,764	72,808	84,320	91,870	
Net Current Asset	51,239	39,595	59,218	68,944	
Others Assets	0	1	2	3	
Application of Fur	320,454	336,868	358,469	392,699	

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios		₹ crore			
(Year-end March)	FY23	FY24	FY25E	FY26E	
<b>Per share data (Rs)</b>					
EPS	17.4	18.2	25.4	29.3	
Cash EPS	30.7	32.4	42.7	48.4	
BV	137.9	147.2	163.3	182.2	
DPS	7.0	7.8	7.8	8.0	
Cash Per Share	20.3	8.8	17.1	20.7	
<b>Operating Ratios (%)</b>					
EBITDA Margin	26.4	26.7	29.9	30.7	
PBT / Total Operating ir	14.7	14.0	16.8	17.5	
PAT Margin	10.5	11.2	12.6	13.1	
Inventory days	65.7	66.4	65.6	65.6	
Debtor days	36.5	36.5	36.5	36.5	
Creditor days	10.1	10.1	10.1	10.1	
<b>Return Ratios (%)</b>					
RoE	11.5	12.9	11.5	15.6	
RoCE	9.1	10.7	9.8	13.3	
RoIC	8.7	10.4	9.4	12.4	
<b>Valuation Ratios (x)</b>					
P/E	23.6	22.5	16.2	14.0	
EV / EBITDA	13.1	13.5	9.8	8.8	
EV / Net Sales	3.5	3.6	2.9	2.7	
Market Cap / Sales	2.5	2.5	2.0	1.8	
Price to Book Value	3.0	2.8	2.5	2.2	
<b>Solvency Ratios</b>					
Debt/EBITDA	4.2	4.4	3.2	3.1	
Debt / Equity	1.3	1.3	1.2	1.2	
Current Ratio	1.9	1.7	1.9	1.9	
Quick Ratio	0.3	0.1	0.2	0.2	

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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