

CMP: ₹ 400

Target: ₹ 500 (25%)

Target Period: 12 months

BUY

October 28, 2024

Renweable capacity addition to gather momentum...

About the stock: NTPC is India's largest power generation company with a total installed capacity of ~76,443 MW at the group level as of Q2FY25.

- 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.

Q2FY25 performance: On the operational front, the company registered a decline of 2% and 1.9% YoY in gross generation and energy sold respectively. The PLF for the coal plants stood at 72.3%, down 355 bps YoY. The consolidated and standalone installed capacity stood at 76,443 MW and 59,168 MW respectively. On account of decline in energy sold, revenues mirrored a decline of 1.3% YoY at Rs 40,327.6 crore. EBIDTA declined by 8% on account of higher-than-expected other expenses. Similarly, interest costs also increased by 26% YoY to Rs 3,101 crore. PAT came in at Rs 4,648.9 crore. The company has declared an interim dividend of Rs 2.5 per share.

Investment Rationale

- Thermal Capacity addition on track:** On the conventional side, the company has 11.5 GW of thermal base plants under construction. The company is likely to order out 8.8 GW of thermal plants by December 2024 while the same for FY26 and FY27 will be at 3.2 GW and 1.6 GW, 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 standalone regulated equity growth at a CAGR of 9% from ₹ 87,713 crore in FY24 to over ₹100,000 crore by FY26E.
- Aiming to reach ~20 GW on the renewable side:** The company plans to reach 20 GW of renewable capacity by FY27E. Currently, the company has ~4000 MW of installed renewable capacity and has plans to add 3000/5000/8000 MW of capacity in FY25/FY26/FY27 respectively. 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

- 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 2.6x FY26E Book Value).



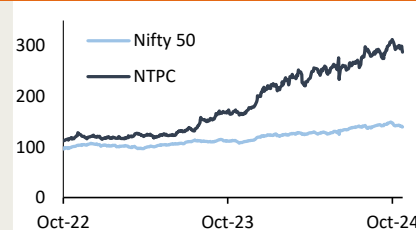
Particulars

Particulars	Rs. crore
Market Capitalisation	3,99,000
Debt (FY24)	2,35,040
Cash (FY24)	6,847
EV	6,27,193
52 week H/L (Rs.)	448/228
Equity capital	9,696.70
Face value (Rs.)	10

Shareholding pattern

	Dec-23	Mar-24	Jun-24	Sep-24
Promoters	51.1%	51.1%	51.1%	51.1%
FI	16.7%	17.1%	17.9%	18.6%
DII	29.0%	28.7%	27.6%	26.5%
Others	3.2%	3.1%	3.4%	3.8%

Price Chart



Key risks

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

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Key Financial Summary

Key Financials	FY22	FY23	FY24	5 year CAGR (FY18-23)	FY25E	FY26E	2 year CAGR (FY24-26E)
Net Sales	97,700.4	1,63,769.8	1,61,985.0	8.9%	1,89,160.3	2,08,076.3	13.3%
EBITDA	27,092.7	43,228.4	43,182.4	11.8%	50,477.0	57,836.7	15.7%
EBITDA Margins (%)	27.7	26.4	26.7		26.7	27.8	
Net Profit	10,112.8	17,196.7	18,079.4	8.3%	19,476.0	23,094.7	13.0%
EPS (₹)	10.2	17.4	18.2		19.7	23.3	
P/E	40.2	23.6	22.5		20.9	17.6	
RoNW (%)	8.9	11.5	12.9		11.5	12.5	
RoCE (%)	5.3	9.1	10.7		9.8	11.2	

Source: Company, ICICI Direct Research

Key Result highlights

- The standalone regulated equity stands at Rs. 89,430 crore vs Rs. 83,059 crore in September 2024 registering a growth of 7.67% YoY and consolidated regulated equity stands at Rs. 105,049 crore vs Rs. 99,611 crore in PY, growth of 5.5% YoY.
- The company has 11.16 GW thermal capacity under construction while 13.6 GW will be ordered by FY27 (majority of this i.e. 8.8 GW will be ordered out by December 2024). Its' commissioned capacity stands at ~76,443 MW at group level in H1FY25. The company expects to commission 2.7GW and 1.46 GW of thermal capacity in FY25 and FY26 respectively.
- The company added 485 MW commercial Renewable (RE) capacity in H1FY25, the installed RE capacity was 4.3GW whereas 15.1 GW is under construction, PHP of 1000MW will get commissioned by December 2024, company expects 3GW capacity addition in FY25 and 5000/8000 MW by FY26E and FY27E. The total RE capacity is expected to reach 19.7 GW by FY27. The company plans to reach RE capacity of 60GW by FY32.
- NTPC's gross generation and energy sold grew by 3.77% YoY to 220 BU from 212 BU, avg. PLF at coal station contracted 355 basis points YoY to 72.28% in Q2FY25 and 31 basis points to 76.31% in H1FY25. Average PLF was 76.31% vs industry avg. 70.63%. avg. tariff realized came in at Rs. 4.67 vs Rs. 4.61 per unit up 1.30%.
- The company plans to enhance annual coal mining capacity to 69 million metric tonnes by FY29 from 40 million metric tonnes in FY25 for ensuring fuel security.
- In Q2FY24 company signed MoU with Rajasthan government (RUVNL) for development of 25GW of renewable capacity, 1 million metric tonne of annual capacity of GH2 derivatives in the state and entered into JV with Mahatma Phule Renewable Energy and Infrastructure Technology Ltd. for development of 10GW green energy parks and projects in Maharashtra or any other state.
- The company signed PPA with Nepal to supply 230MW of power and with Bangladesh for supplying 40MW of power.
- The company incurred a capex of Rs. 11,585 on development of coal mines since H1FY25, Standalone total capex was Rs. 14,040 crore up 76.4% from Rs.7,959 crore in H1FY24, standalone capital outlay for FY 25 is Rs. 22,700 crore. Group capex was at Rs. 17,474 crore in H1FY25 vs Rs. 13,204 crore in same period last year, up 32.33% YoY.
- Execute nuclear business through Anushakti Vidyut Nigam Ltd., a JV with NPCIL for commissioning pressurized heavy water reactor nuclear projects of 4x700MW nuclear power projects (Approximate Cost - 2017 level: ₹42,000 crore) and explore small modular reactors and fast breeder reactors and pressurized water reactors with BARC.
- The company has commissioned FGD in 14,600 GW capacity and 49GW under progress. It plans to commission FGD for entire operation and under construction and in 3 years to reduce emissions.

Key Financials

Exhibit 1: Profit and loss statement				
	₹ crore			
(Year-end March)	FY23	FY24	FY25E	FY26E
Total operating Incom	1,63,770	1,61,985	1,89,160	2,08,076
Growth (%)	68	-1	17	10
Raw Material Expens	1,00,508	97,919	1,15,598	1,24,846
Employee Expenses	5,559	5,670	6,351	6,986
Other expenses	14,475	15,213	16,735	18,408
Total Operatinga Expe	1,20,541	1,18,803	1,38,683	1,50,240
EBITDA	43,228	43,182	50,477	57,837
Growth (%)	92	-0	34	32
Depreciation	13,137	13,943	16,268	17,686
Interest	9,979	10,251	13,241	14,357
Other Income	3,955	3,722	5,000	5,000
PBT	24,067	22,711	25,968	30,793
Others	-591	1,969	0	0
Total Tax	6,279	6,600	6,492	7,698
PAT	17,197	18,079	19,476	23,095
Adjusted PAT	17,197	18,079	19,476	23,095
Growth (%)	70	5	8	19
EPS	17.4	18.2	19.7	23.3

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	19,476	23,095
Add: Depreciation	13,137	13,943	16,268	17,686
(Inc)/dec in Current Assets	-16,371	1,207	-17,385	-11,759
Inc/(dec) in CL and Provisior	23,718	-956	10,934	6,356
Others	9,979	10,251	13,241	14,357
CF from operating activities	32,965	42,023	55,436	60,541
(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 activities	-25,754	5,740	-18,498	-44,497
Issue/(Buy back) of Equity	0	1	2	3
Inc/(dec) in loan funds	29,164	44,015	36,706	16,819
Dividend paid & dividend ta:	-8,902	-8,902	-9,189	-8,916
Inc/(dec) in Sec. premium	3	4	5	6
Others	-9,979	-10,251	-13,241	-14,357
CF from financing activities	10,286	24,867	14,282	-6,445
Net Cash flow	-16,301	-11,394	-3,351	-4,229
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
Liabilities				
Equity Capital	9,895	9,895	9,895	9,895
Reserve and Surplus	1,26,553	1,35,730	1,46,017	1,58,773
Total Shareholders fu	1,36,447	1,45,624	1,55,911	1,68,668
Total Debt	1,80,909	1,88,145	1,93,789	2,09,292
AAD	1,947	1,947	1,947	1,947
Minority Interest / Oth	1,152	1,152	1,152	1,152
Total Liabilities	3,20,454	3,36,868	3,52,799	3,81,059
Assets				
Gross Block	3,23,995	3,43,995	3,63,995	3,83,995
Less: Acc Depreciati	95,919	96,432	96,959	97,566
Net Block	2,28,076	2,47,563	2,67,036	2,86,429
Capital WIP	73,067	88,067	1,03,067	1,33,067
Total Fixed Assets	3,01,143	3,35,629	3,70,103	4,19,496
Investments	30,739	32,239	32,239	32,239
Inventory	18,081	17,820	20,802	22,536
Debtors	16,377	16,199	18,916	20,808
Loans and Advances	40,942	40,496	47,290	52,019
Other Current Assets	29,479	29,157	34,049	37,454
Cash	20,124	8,731	16,915	20,509
Total Current Assets	1,25,003	1,12,403	1,43,538	1,60,814
Creditors	19,889	19,602	22,883	24,790
Other Liabilities	46,408	45,739	53,393	57,842
Provisions	7,466	7,466	7,466	7,466
Total Current Liabiliti	73,764	72,808	83,742	90,098
Net Current Assets	51,239	39,595	59,218	68,944
Others Assets	0	1	2	3
Application of Funds	3,20,454	3,36,868	3,58,469	3,92,699

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY23	FY24	FY25E	FY26E
Per share data (Rs)				
EPS	17.4	18.2	19.7	23.3
Cash EPS	30.7	32.4	36.1	41.2
BV	137.9	147.2	157.6	170.5
DPS	7.0	7.8	7.8	8.0
Cash Per Share	20.3	8.8	17.1	20.7
Operating Ratios (%)				
EBITDA Margin	26.4	26.7	26.7	27.8
PBT / Total Operatinga incom	14.7	14.0	13.7	14.8
PAT Margin	10.5	11.2	10.3	11.1
Inventory days	65.7	66.4	65.7	65.9
Debtor days	36.5	36.5	36.5	36.5
Creditor days	10.1	10.1	10.1	10.1
Return Ratios (%)				
RoE	11.5	12.9	11.5	12.5
RoCE	9.1	10.7	9.8	11.2
RoIC	8.7	10.4	9.4	12.4
Valuation Ratios (x)				
P/E	23.6	22.5	20.9	17.6
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	2.1	1.9
Price to Book Value	3.0	2.8	2.6	2.4
Solvency Ratios				
Debt/EBITDA	4.2	4.4	3.8	3.6
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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