

CMP: ₹ 365

Target: ₹ 455 (26%)

Target Period: 12 months

BUY

May 28, 2024

## Best play in utilities...

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 FY24.

- 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.

Q4FY24 performance: Gross generation stood at 93.4 billion units (BU's) up 3.7% YoY whereas energy sold stood at 86.7 BU's, up 3.3% YoY. The PLF of the coal-based stations stood at 79.8% in Q4FY24 vs. 80.3% in Q4FY23. The average tariff for FY24 stood at Rs 4.61/Kwhr. The company reported revenues and PAT of ₹ 42532 crore and ₹ 5556.4 crore for Q4FY24, respectively

### Investment Rationale

- Base business to sustain momentum:** NTPC has been the only company which has added coal-based capacities over last 5 years and reached an installed base of 73000 MW on a consolidated basis. Going ahead, NTPC is having 9300 MW of coal-based plants under construction which will be commissioned by FY25-26. 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 ₹ 77,628 crore in FY23 to ₹ 99,000 crore by FY26E.
- Strong focus across green energy:** With an aggressive approach to expanding renewable energy, including green hydrogen, NTPC aims for nearly 45-50% of its capacity to come from non-fossil fuels by 2030, with the medium-term target of 60 GW of renewable capacity by 2032. Currently, the company has 3300 MW of installed renewable capacity and 5900 MW of projects under construction and ~11000 MW of projects in the pipeline.. Also NTPC is striving hard to diversify into areas like green hydrogen, Nuclear power (JV with NPCIL), etc.

### Rating and Target Price

- With capacity addition visibility of 20GW of renewables, NTPC has set out an aggressive renewable capacity addition plan to the tune of 16000 MW over FY24-FY26, which will scale up the green portfolio of the company and lead to rerating of the stock. The company will also witness strong growth in regulated equity in the conventional thermal portfolio We estimate PAT to grow at 26% CAGR respectively over FY24-26E. We maintain our BUY rating on NTPC. We value the stock at ₹ 455 per share (based on 2.5x FY25 Book Value).



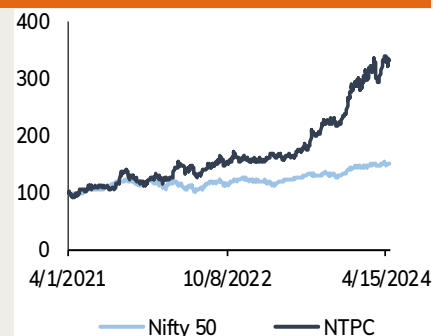
### Particulars

Particular	Amount (₹ crore)
Market Cap	354316
Debt	222252
Cash	7838
EV	568730
52 Week H/L	381/172
Equity	9697
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

Chirag J Shah  
Shah.chirag@icicisecurities.com

### 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	22.2	21.0	20.0		14.4	12.4	
RONW (%)	11.5	12.9	11.5		15.6	16.1	
ROCE (%)	9.1	10.7	9.8		13.3	13.8	

## Key Result and Conference call highlights

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- The regulated equity stands at Rs 87700 crore up 13% YoY whereas the consolidated regulated equity stands at ₹ 104000 crore.
- The company expects to incur a capex of ₹ 10000 crore every year over the next 2-3 years. The capex for FY24 stood at ₹ 22500 crore at the standalone level
- Standalone commercialised capacity stood at 59.1GW as of FY24 (up 2.7GW YoY). Consolidated capacity stood at 76GW (up 3.7 GW YoY) as FY24.
- Capacity addition pipeline at 15.2GW as of FY24 of which largely half will come from standalone and half from subsidiaries and JVs. The company expects to tender coal based capacity to the tune of 10000 MW in FY25.
- On the renewables front, the company has a operational capacity of 3500 MW whereas 5000 MW of capacity is under construction. It also has also won capacity to the tune of 11500 MW under various stages of implementation.
- Gross generation stood at 93.4 billion units (BU's) up 3.7% YoY whereas energy sold stood at 86.7 BU's, up 3.3% YoY.
- The PLF of the coal-based stations stood at 79.8% in Q4FY24 vs. 80.3% in Q4FY23. The PLF of the ags based stations stood at 2.7% in Q4FY24.

## 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	21.0	20.0	14.4	12.4	
EV / EBITDA	12.1	12.5	9.0	8.1	
EV / Net Sales	3.2	3.3	2.7	2.5	
Market Cap / Sales	2.2	2.2	1.8	1.6	
Price to Book Value	2.6	2.5	2.2	2.0	
<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%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,  
ICICI Securities Limited,  
Third Floor, Brillanto House,  
Road No 13, MIDC,  
Andheri (East)  
Mumbai – 400 093  
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal  
Contact number: 022-40701000 E-mail Address: [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: Mr. Prabodh Avadhoot Email address: [headservicequality@icicidirect.com](mailto:headservicequality@icicidirect.com) Contact Number: 18601231122

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