

## Transitioning towards greener side...

**About the stock:** NTPC is India's largest power generation company with a total installed capacity of 66885 MW at the group level.

- NTPC has 17% of total installed capacity in India with 23% 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

**Q1FY22 Results:** NTPC reported Q1FY22 results, which were below estimates on account of lower-than-expected tariff and higher interest costs.

- Reported revenues came in at ₹ 26038.5 crore vs. our estimate of ₹ 27140.5 crore, the key reason being lower-than-expected tariff of ₹ 3.73/kWHR
- On the operational parameter front, expected generation during Q1FY22 at 71.7 billion units. Energy sold was tad higher than estimates at 66.6 BUs
- EBITDA came in at ₹ 7438.9 crore. Reported PAT came in at ₹ 3145.6 crore vs. our estimate of ₹ 3862.7 crore

**What should investors do?** NTPC has been a significant underperformer in the power space led by a shift of value towards the renewable space. We shall await and keenly observe the execution pace of NTPC in the renewable segment.

- Maintain our HOLD rating on the stock

**Target Price and Valuation:** We value NTPC at ₹ 122 i.e. 0.9x FY23E Book value.

### Key triggers for future price performance:

- NTPC has set aggressive renewables long term capacity addition target of 60000 MW by 2032, which was earlier pegged at 30000 MW. Also, in the medium term, NTPC expects to have a cumulative capacity to the tune of 15000 MW by FY24E. Rising share of renewables and strong execution for the ramp up of the same will trigger a re-rating

**Alternate Stock Idea:** In the power space, we are bullish on IEX' prospects

- Dominating market share, strong traction in new products and strong opportunity landscape
- BUY with a target price of ₹ 530 per share, valued at 50x FY23E EPS



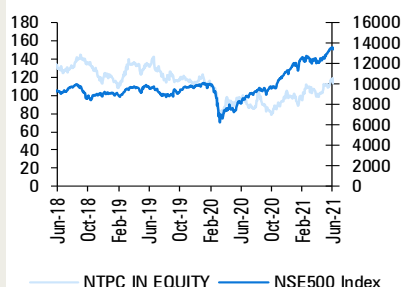
### Particulars

Particulars	Amount
Market Capitalisation	₹ 113984 Crore
Debt (FY21)	₹ 164809 Crore
Cash (FY21)	₹ 3624 Crore
EV	₹ 275169 Crore
52 week H/L	₹ 146/72
Equity capital	₹ 9696.7 Crore
Face value	₹ 10

### Shareholding pattern

	Jun-20	Sep-20	Dec-20	Mar-20	Jun-21
Promoters	51.0	51.0	51.1	51.1	51.1
FII	11.4	11.4	12.3	11.9	13.1
DII	34.6	34.9	33.5	33.9	32.9
Others	3.0	2.7	3.1	3.0	2.9

### Price Chart



### Recent event & key risks

- Under construction capacity of 17 GW
- Key Risk:** (i) Muted economic recovery to keep blended PLFs lower (ii) Aggressive capacity addition in solar space may rerate the stock

### Research Analyst

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### Key Financial Summary

Key Financials	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	2 year CAGR (FY21-23E)
Net Sales	90,507.4	97,700.4	99,206.7	8.9%	1,08,758.8	1,21,809.8	10.8%
EBITDA	22,971.5	27,092.7	28,803.4	11.8%	30,549.3	35,197.1	10.5%
EBITDA Margins (%)	25.4	27.7	29.0		28.1	28.9	
Net Profit	11,949.9	10,112.8	13,769.5	8.3%	14,163.8	15,928.2	7.6%
EPS (₹)	12.1	10.2	13.9		14.3	16.1	
P/E	9.8	11.6	8.5		8.3	7.3	
RoNW (%)	11.2	8.9	11.5		11.2	11.8	
RoCE (%)	5.8	4.8	5.8		5.5	5.6	

## Key takeaways of recent quarter & conference call highlights

### Q1FY22 Results: Sturdy performance

- Reported revenues came in at ₹ 26038.5 crore vs. our estimate of ₹ 27140.5 crore. Key reason was lower-than-expected tariff of ₹ 3.73/kWh
- On the operational parameter front, expected generation in Q1FY22 was at 71.7 billion units (BU) vs. estimate of 71.3 billion units. On the other hand, energy sold was tad higher than estimates at 66.6 BUs vs. 66.2 billion units
- Plant load factor (PLF) of the coal plants was at 69.7% vs. 64.3% QoQ. As of Q1FY22, commercial capacity was at 51750 MW whereas the installed capacity was at 52660 MW
- On the coal mining side, the company has mined coal to the tune of 2.46 million tonne (MT) in Q1FY22 vs. 2.4 MT mined in Q4FY21. On other hand, gas consumption was at 1.8 mmscmd vs. 5.59 mmscmd YoY
- EBITDA came in at ₹ 7438.9 crore. Fuel cost per unit during Q4FY21 was at ₹ 2.08/unit vs. ₹ 2.12/unit QoQ. Reported PAT came in at ₹ 3145.6 crore vs. our estimate of ₹ 3862.7 crore, on account of lower operational income and higher-than-expected interest costs

### Analyst Meet Highlights

- In FY22TD, NTPC witnessed growth of 22.18% in power demand vs. the same period last year. Growth in the country's power demand was at 15%. Peak power demand witnessed on July 7 was at 200 MW, at 4.5 BU
- NTPC's long term vision is to become an integrated energy company with strong focus on renewables. The 30 GW renewable target for 2032 has been revised to 60 GW wherein 50% of the capacity is expected to come from non-fossil fuel based capacity. Hence, renewable capacity is expected to outgrow other forms of generation. In the next year three to four years, 15 GW of renewable capacity is expected to get commissioned
- During FY21, the company added 904 MW renewable and hydro capacity. Furthermore, NTPC has won 1560 MW bid in FY21 whereas the same reading for Q1FY22 was at 325 MW
- NTPC's coal stations have sufficient coal stocks. It achieved 1 BU per day generation on January 18. NTPC's coal stations have a positive difference of 2% compared to the national PLF
- During FY21, capacity addition was at 4160 MW, which includes 904 MW towards renewable and hydro. Capacity addition for FY22TD was at 1075 MW. Post this, NTPC's group capacity was at 66885 MW
- Various initiatives and strides have been made by the company in other areas of renewable energy such as floating solar, EV, battery storage, solar energy – green ammonia. The company has partnered with ONGC to set up offshore wind energy projects, leveraging from the expertise of ONGC
- A pilot project is also being carried out in Vindhyachal for green hydrogen at less than US\$3/kg. Carbon capture and green hydrogen will give a fillip to energy transition and realise the dream of integrated & circular economy
- NTPC has participated in discom privatisation bidding and expects to be a strong contender for the Chandigarh discom
- Renewable energy business, NVNNL expected to get listed in next 18 months
- NTPC added 3824 MW to commercial capacity in FY21 and has 17 GW capacity under construction
- The company has floated a global tender for expression of interest (Eoi) for grid connected battery energy storage system
- Ministry of New & Renewable Energy approved 4750 MW solar project in Rann of Kutch, Gujarat. Once commenced, this will be largest solar park in India. It plans to generate green hydrogen from this plant using solar energy
- CWIP ratio expected to fall steeply in years to come as NTPC transitions towards renewable energy. Hence, conversion from CWIP to gross block will accelerate
- Standalone regulated equity was at ₹ 66338 crore. Going ahead, regulated equity is expected to grow at 15% CAGR in the next three years
- Cost of debt has come down to 6.24% in FY21 from 8.07% in FY15. Furthermore, in Q1FY22 cost of debt was at 5.97%

**Exhibit 1: Variance Analysis**

	Q1FY22	Q1FY22E	Q1FY20	YoY (%)	Q4FY21	QoQ (%)	Comments
Energy sales net	26,038.5	27,140.5	23,453.5	11.0	26,566.9	(2.0)	Revenues were below estimates
Other operating income	0.0	0.0	0.0	-	0.0	-	
Total Income	26,038.5	27,140.5	23,453.5	11.0	26,566.9	(2.0)	
Fuel	14,919.8	15,122.4	12,368.9	20.6	16,418.8	(9.1)	Fuel cost was lower-than-expected
G&A	2,422.0	2,442.6	2,051.7	18.0	2,618.8	(7.5)	
Employee expense	1,257.8	1,357.0	1,287.8	(2.3)	1,021.5	23.1	
Total expenses	18,599.6	18,922.1	15,708.4	18.4	20,059.1	(7.3)	
EBITDA	7,438.9	8,218.4	7,745.1	(4.0)	6,507.8	14.3	EBITDA was lower on account of lower revenues
EBITDA Margin (%)	28.6	30.3	33.0	-445 bps	24.5	407 bps	
Depreciation	2,675.4	2,850.0	2,529.7	5.8	2,797.2	(4.4)	
Interest	1,988.6	1,640.0	2,082.5	-4.5	1,594.3	24.7	
Other Income	763.7	700.0	567.5	34.6	1,673.0	(54.3)	
PBT	4,326.1	4,828.4	4,502.9	(3.9)	3,496.8	23.7	
Extraordinary expenses	326.2	326.2	326.2	NA	326.2	NA	5
Extraordinary Income	326.2	326.2	326.2	0.0	326.2	0.0	Related to prior period sales and tax benefit received during the quarter
Total Tax	1,180.5	965.7	1,230.2	(4.0)	-982.4	(220.2)	
Adjusted PAT	3,145.6	3,862.7	2,470.2	27.3	4,479.2	(29.8)	PAT was lower on account of higher interest and lower revenues

**Key Metrics**

Generation (Crore units)	7,174.8	7,133.2	6,018.5	19.2	7,763.0	(7.6)	Generation was better than industry average
Sales (Crore units)	6,661.2	6,619.6	5,584.5	19.3	7,219.7	(7.7)	
Tariff rate (₹/Kwh)	3.9	4.1	4.2	(6.9)	3.7	6.2	

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

	FY22E			FY23E		
(₹Crore)	Old	New	% Change	Old	New	% change
Revenue	1,08,758.8	1,08,758.8	0.0	1,21,809.8	1,21,809.8	-
EBITDA	30,549.3	30,549.3	0.0	35,197.1	35,197.1	-
EBITDA Margin (%)	28.1	28.1	0 bps	28.9	28.9	-
PAT	14,163.8	14,163.8	0.0	15,928.2	15,928.2	-
EPS (₹)	14.3	14.3	0.0	16.1	16.1	-

Source: ICICI Direct Research

## Financial Summary

Exhibit 3: Profit and loss statement ₹ crore				
(Year-end March)	FY20	FY21	FY22E	FY23E
Total operating Income	97,700	99,207	1,08,759	1,21,810
Growth (%)	8	2	10	12
Raw Material Expenses	57,018	55,881	62,670	70,191
Employee Expenses	4,926	4,942	5,288	5,658
Other expenses	8,664	9,580	10,251	10,763
Total Operating Expend	70,608	70,403	78,210	86,613
EBITDA	27,093	28,803	30,549	35,197
Growth (%)	25	10	8	21
Depreciation	8,623	10,412	11,963	13,399
Interest	6,782	7,459	8,157	9,136
Other Income	2,778	4,346	3,500	4,000
PBT	14,466	15,279	13,929	16,662
Others	4,829	416	4,000	3,500
Total Tax	9,182	1,925	3,765	4,234
PAT	10,113	13,770	14,164	15,928
Adjusted PAT	10,113	13,770	14,164	15,928
Growth (%)	-6	36	3	12
EPS (₹)	10.2	13.9	14.3	16.1

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore				
(Year-end March)	FY20	FY21	FY22E	FY23E
Profit Before Tax	10,113	13,770	14,164	15,928
Add: Depreciation	8,623	10,412	11,963	13,399
(Inc)/dec in Current Asset	-17,884	13,104	-6,645	-8,808
Inc/(dec) in CL and Provis	-2,297	3,036	3,903	4,202
Others	6,782	7,459	8,157	9,136
CF from operating activitie	45,698	15,500	37,026	43,070
(Inc)/dec in Investments	-10,503	4,246	27,739	15,000
(Inc)/dec in Fixed Assets	-30,000	-21,000	-20,000	-20,000
Others	0	0	0	0
CF from investing activitie	-40,503	-16,754	7,739	-5,000
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	40,053	54,164	29,015	11,706
Dividend paid & dividend t	-3,733	-7,064	-7,466	-7,466
Inc/(dec) in Sec. premium	2	3	3	3
Others	-6,782	-7,459	-8,157	-9,136
CF from financing activitie	29,540	39,644	13,395	-4,893
Net Cash flow	-15,000	-6,522	-2,454	1,000
Opening Cash	25,145	10,145	3,624	1,170
Closing Cash	10,145	3,624	1,170	2,170

Source: Company, ICICI Direct

Exhibit 5: Balance Sheet ₹ crore				
(Year-end March)	FY20	FY21	FY22E	FY23E
Liabilities				
Equity Capital	9,895	9,895	9,895	9,895
Reserve and Surplus	1,03,320	1,10,026	1,16,723	1,25,185
Total Shareholders fund	1,13,215	1,19,920	1,26,618	1,35,080
Total Debt	1,60,588	1,64,089	1,72,294	1,80,909
AAD	1,947	1,947	1,947	1,947
Minority Interest / Other	1,152	1,152	1,152	1,152
Total Liabilities	2,76,902	2,87,108	3,02,010	3,19,087
Assets				
Gross Block	2,57,995	2,78,995	2,98,995	3,18,995
Less: Acc Depreciation	80,485	90,897	95,919	95,919
Net Block	1,77,509	1,88,098	2,03,076	2,23,076
Capital WIP	73,067	63,067	58,067	53,067
Total Fixed Assets	2,50,576	2,51,164	2,61,143	2,76,143
Investments	12,293	12,293	12,293	12,293
Inventory	10,732	10,561	11,731	12,992
Debtors	15,668	12,897	13,595	14,617
Loans and Advances	40,264	29,762	32,628	36,543
Other Current Assets	19,501	19,841	21,752	24,362
Cash	10,145	3,624	1,170	2,170
Total Current Assets	96,310	76,684	80,875	90,684
Creditors	9,650	10,561	11,731	12,992
Other Liabilities	22,516	24,641	27,373	30,314
Provisions	7,466	7,466	7,466	7,466
Total Current Liabilities	39,632	42,668	46,571	50,773
Net Current Assets	56,679	34,016	34,304	39,911
Others Assets	0	0	0	0
Application of Funds	2,76,902	2,87,108	3,02,010	3,19,087

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios				
(Year-end March)	FY20	FY21	FY22E	FY23E
Per share data (₹)				
EPS	10.2	13.9	14.3	16.1
Cash EPS	18.9	24.4	26.4	29.6
BV	114.4	121.2	128.0	136.5
DPS	3.3	6.2	6.5	6.5
Cash Per Share	12.3	3.7	1.2	2.2
Operating Ratios (%)				
EBITDA Margin	27.7	29.0	28.1	97.6
PBT / Total Operating inco	14.8	15.4	12.8	0.0
PAT Margin	10.4	13.9	13.0	0.0
Inventory days	68.7	69.0	68.3	67.6
Debtor days	58.5	47.5	45.6	0.0
Creditor days	9.1	10.1	10.1	10.1
Return Ratios (%)				
RoE	8.9	11.5	11.2	11.8
RoCE	4.8	5.8	5.5	5.6
RoIC	5.0	5.9	5.5	5.6
Valuation Ratios (x)				
P/E	11.6	8.5	8.3	7.3
EV / EBITDA	9.9	9.6	9.4	8.4
EV / Net Sales	2.7	2.8	2.6	2.4
Market Cap / Sales	1.2	1.2	1.1	1.0
Price to Book Value	1.0	1.0	0.9	0.9
Solvency Ratios				
Debt/EBITDA	5.9	5.7	5.6	5.1
Debt / Equity	1.4	1.4	1.4	1.3
Current Ratio	3.0	2.2	2.1	2.1
Quick Ratio	0.3	0.1	0.0	0.1

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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