

## Robust Q4: Focus Continues on Thermal/RE Expansion

**Consensus Vs. Actual for Q4FY24:** Revenue – **BEAT**; EBITDA – **BEAT**; PAT – **BEAT**

**Change in Estimates post Q4FY24:** FY25E/FY26E: Revenue: -3%/-3%; EBITDA: 3%/3%; PAT: 11%/11%.

### Recommendation Rationale

- **15.2 GW of thermal capacity to be added to the pipeline:** NTPC expects to add 15.2 GW of thermal capacity which will be tendered in the next 2-3 years (8 GW tied up to PPA), in addition to the existing 9.6 GW of under-construction thermal capacity. In Q3FY24, the thermal capacity addition pipeline was at 16.8 GW.
- **RE targets:** NTPC has an ambitious target of 60 GW of renewable capacity (RE) by FY32. Presently, 8.4 GW of RE projects are under construction, 11.2 GW are in the tendering phase and 4.8 GW equivalent land bank is available, presenting a tangible pipeline of 24.4 GW. It plans to commission 16 GW of RE capacity over the next three years (FY25/26/27 at 3/5/8GW)
- **Under-recovery:** Under-recovery in Q4FY24 was at Rs 36 Cr and overall it was at ~Rs 776 Cr in FY24 with major chunk of it coming from Barh and Barauni plant. Barauni plant is now discontinued (vintage plant) and Barh tube leakage issues are resolved. Excluding these two plants, under-recovery was at Rs 150 Cr, which is mainly towards high/low demand season regulation which is now discontinued through policy advocacy. As a result, in future under-recovery is expected to be at a minimum level.

### Sector Outlook: Positive

**Company Outlook & Guidance:** In Q4FY24, only 0.2 GW of RE capacity was added (total RE capacity now at 3.6GW) due to Module availability and land acquisition issues which are now addressed with 1.5 GW of modules already on site. As a result, management is confident of 3 GW capacity addition in FY25. With the fall in the module prices, the IRR on the new RE capacity is expected to be better and management envisages the IRR of the new solar plants to be near the cost plus thermal plants level. Group Capex estimated at Rs 35,000 to Rs 50,000 Cr per annum for next 2-3 years. The coal production target is 50 MT in the next three years. NTPC will be one of the key beneficiaries of the rising power demand in the country.

**Current Valuation:** SoTP with the Thermal business at 2.3x (from 1.8x) P/BV on FY26 Consolidated regulated equity. RE business at 12x EV/EBITDA on FY26 EBITDA (unchanged), PSP optionality at Rs 22/share and CWIP and cash at 1x P/BV of FY25.

**Current TP: Rs 420/share** (Earlier TP: Rs 350/share)

**Recommendation:** We maintain our **BUY** rating on the stock.

**Financial Performance:** NTPC reported a good set of numbers. Consolidated Net sales stood up 8%/11% YoY/QoQ beating the consensus by 4%. EBITDA stood up by 19%/25% YoY/QoQ and stood ahead of the consensus by 6%. PAT grew by 33%/25% YoY/QoQ, beating the consensus by 20% led by higher other income. Regulated equity as of Mar'24 stood at Rs 87,713 Cr (Rs 82,094 Cr in Dec'23 and Rs 77,628 Cr in Mar'23) on a standalone basis and Rs 1,04,331 Cr (Rs 98,712 Cr in Dec'23 and Rs 94,180 Cr in Mar'23) on a consolidated basis. The average rate of interest during FY24 was at 6.67% vs 6.4% last year. The company declared its final dividend of Rs 3.25/sh in addition to the 1<sup>st</sup> and 2<sup>nd</sup> Interim dividend of Rs 2.25/sh each for FY24.

**Outlook:** NTPC's Robust Thermal Assets Provide Cash Flow Visibility. Its aggressive renewable capacity addition target, where it can mobilise funds at a lower cost of debt (~6% vs. 7-9% compared to private peers) puts it in a competitive position. Furthermore, NTPC has the Potential to supply RE-RTC power which can generate competitive tariffs. We believe NTPC is a good portfolio bet given its stable dividend yield, and a further rerating potential can not be ruled out if the peak deficits increase in future.

**Valuation & Recommendation:** We maintain our **BUY** rating on NTPC. We value the company's conventional thermal business at 2.3x (from 1.8x) P/BV on its FY26 consolidated regulated BV. We value its RE business at EV/EBITDA of 12x on FY26 EBITDA. Our TP indicates a potential upside of 12% from the CMP.

### Key Financials (Consolidated)

(Rs Cr)	Q4FY24	QoQ (%)	YoY (%)	Consensus	Var (%)
Net Sales	47,622	11%	8%	45,902	4%
EBITDA	14,195	25%	19%	13,369	6%
EBITDA Margin (%)	30	327bps	282bps	29	68bps
Reported PAT	6,490	25%	33%	5,418	20%
EPS (Rs)	6.7	25%	33%	5.6	20%

Source: Company, LSEG Workspace Consensus

(CMP as of 24<sup>th</sup> May 2024)

CMP (Rs)	374
Upside /Downside (%)	12.4%
High/Low (Rs)	380/172
Market cap (Cr)	3,63,479
Avg. daily vol. (6m) Shrs.	176,97,421
No. of shares (Cr)	969.7

### Shareholding (%)

	Sep-23	Dec-23	Mar-24
Promoter	51.10	51.10	51.10
FII	16.67	17.03	17.85
Mutual Funds / UTI	19.34	19.14	17.95
Financial Institutions	0.08	0.05	0.01
Others	12.81	12.68	13.09

### Financial & Valuations

(Rs. Cr)	FY24	FY25E	FY26E
Net Sales	1,78,501	2,01,978	2,13,561
EBITDA	51,093	67,303	72,793
Attrib Net Profit	20,812	31,744	33,560
Adj EPS (Rs.)	21.46	32.74	34.61
PER (x)	17.45	11.44	10.82
P/BV (x)	2.26	2.02	1.81
EV/EBITDA (x)	10.82	8.47	8.01
ROE (%)	13.0%	17.6%	16.8%

### Change in Estimates (%)

Y/E Mar	FY24	FY25E	FY26E
Net Sales	-1%	-3%	-3%
EBITDA	5%	3%	3%
Attrib PAT	12%	11%	11%

### ESG disclosure Score\*\*

Environmental Disclosure	NA
Social Disclosure Score	NA
Governance Disclosure Score	NA
<b>Total ESG Disclosure Score</b>	<b>NA</b>
<b>Sector Average</b>	<b>NA</b>

Source: Bloomberg, Scale: 0.1-100

\*\*\*Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures. The Sector average is for NSE500 companies

### Relative performance



Source: ACE Equity, Axis Securities

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## Key Concall Highlights

- **15.2 GW of thermal capacity to be added to the pipeline:** The coal capacity planned for tendering during FY25/FY26/FY27 is 10.4/3.2/1.6 GW.
- **COD of 22.5 GW of power plant in next three years:** In FY25, COD of 6.78 GW is expected (2.178 GW Standalone basis, 4.602 GW on JV). The split will be 2.78 GW thermal, 1 GW hydro and 3 GW of RE. For FY26, 6.46 GW capacity will be commissioned. The break up is 1.46 GW thermal and 5GW RE. For FY27, total 9.244 GW, the break up includes 0.8 GW thermal, 0.44 GW Hydro and 8 GW of RE capacity will be commissioned. So by FY27 an aggregate 22.5 GW is expected to be commissioned.
- **Operational performance:** The commercial capacity of NTPC stands at 59,078 MW (56,368 MW in FY23) on a standalone basis and 75,958 MW (72,254 MW as of FY23) for the group as a whole as of Mar'24. NTPC group generated 422 BU in FY24 up 6% YoY. Standalone gross generation was at 362 BU, up 5% YoY. PLF of coal stations stood at 77.25% as against the national average of 69.49% in FY24.
- **NGEL (NTPC Green Energy Limited) IPO** will be filed tentatively by Oct-Nov'24, NTPC will be the holding company. Equity will be secured through FPO (25% public shareholding progressively) and support from parent NTPC in case of shortfall of funds. NGEL EBITDA and PAT stood at Rs 1,820 Cr and Rs 343 Cr in FY24
- **Pumped storage Power (PSP):** Out of the 14 GW of PSP opportunities lined up with various state governments, currently NTPC is close to securing 10 GWs. PSP projects generally take 2 years for DPR and 5-6 years for construction with an average completion total time period of 7 years.
- **Coal production target achieved:** Coal production stood at the highest level at 34.39 MT in FY24 up 48% YoY achieving the target of 34 MT for FY24. The company expects to reach an annual coal production of 50 MT in the next three years. Total coal supply during FY24 was 241.21 MT, including 9.57 MT of imported coal as against 223.85 MT in the previous year, which included 14.56 MT of imported coal.
- **Flue-gas desulfurization (FGD):** Over the next 3 years NTPC plans to commission the FGD system for its entire operational and under-construction capacity ensuring a substantial reduction in SO<sub>x</sub> emission. FGD for 66.8 GW has been awarded out of which 8.9 GW has already been commissioned and rest is under implementation.
- **Capex:** In FY24, Group Capex stood at Rs 34,943 Cr as compared to Rs 35,204 Cr in FY23. Standalone Capex in FY24 was Rs 19,319 Cr as compared to Rs 24,591 Cr in FY23.

## Key Risks to our Estimates and TP

- Delays in commissioning of the RE capacity.
- Financial position of Discom. NTPC's trade receivables are dependent on the timely payment from state Discoms
- Lower Thermal Power Plant PLF and PAF.

## Change in Estimates

	Revised			Old			% change		
	FY24	FY25	FY26	FY24E	FY25	FY26	FY24	FY25	FY26
Net Sales	1,78,501	2,01,978	2,13,561	1,80,532	2,08,779	2,20,684	-1%	-3%	-3%
EBITDA	51,093	67,303	72,793	48,475	65,268	70,566	5%	3%	3%
Attr PAT	20,812	31,744	33,560	18,562	28,649	30,199	12%	11%	11%

Source: Company, Axis Securities

## Results Review

Y/E March (Rs Cr)	4QFY23	3QFY24	4QFY24	%YoY	%QoQ	Consensus	% Var
<b>Generation (BUs)</b>	<b>89.7</b>	<b>88.5</b>	<b>93.4</b>	<b>4%</b>	<b>5%</b>		
Net Sales	44,253	42,820	47,622	8%	11%	45,902	4%
Expenditure	32,311	31,458	33,427	3%	6%		NA
<b>EBITDA</b>	<b>11,942</b>	<b>11,362</b>	<b>14,195</b>	<b>19%</b>	<b>25%</b>	<b>13,369</b>	<b>6%</b>
<i>EBITDA (%)</i>	27.0	26.5	29.8	282bps	327bps	29.1	68bps
Depreciation	3,848	4,074	4,271	11%	5%		NA
<b>EBIT</b>	<b>8,094</b>	<b>7,288</b>	<b>9,924</b>	<b>23%</b>	<b>36%</b>		<b>NA</b>
Other income	493	754	1,194	142%	58%		NA
Interest	2,860	3,250	2,955	3%	-9%		NA
Share of income in Asso.	299	342	211	-29%	-38%		NA
<b>PBT</b>	<b>6,026</b>	<b>5,134</b>	<b>8,375</b>	<b>39%</b>	<b>63%</b>		<b>NA</b>
Tax	1,447	1,362	1,674	16%	23%		NA
<i>Tax rate (%)</i>	24	27	20	-402bps	-654bps		NA
Reg def Acc (net of tax)	292	1,436	-211	NA	-115%		NA
Reported PAT	4,872	5,209	6,490	33%	25%	5,418	20%
<b>PAT (adjusted)</b>	<b>4,872</b>	<b>5,209</b>	<b>6,490</b>	<b>33%</b>	<b>25%</b>	<b>5,418</b>	<b>20%</b>
EPS (Rs)	5.0	5.4	6.7	33%	25%	5.6	20%

Cost-break up	4QFY23	3QFY24	4QFY24	%YoY	%QoQ		
Raw material Costs	26,114	24,813	26,519	2%	7%		
<i>% of sales</i>	59%	58%	56%	-332bps	-226bps		
Staff Costs	1,802	1,618	1,857	3%	15%		
<i>% of sales</i>	4%	4%	4%	-17bps	12bps		
Other Expenses	4,395	5,027	5,051	15%	0%		
<i>% of sales</i>	10%	12%	11%	68bps	-113bps		

	4QFY23	3QFY24	4QFY24	%YoY	%QoQ		
<b>NTPC Gr Installed MW</b>	<b>72,254</b>	<b>73,874</b>	<b>75,958</b>	<b>5%</b>	<b>3%</b>		
Coal Plant PLF %	80.3	76.0	79.8	-55bps	382bps		
Coal Plant PAF %	93.5	86.2	89.4	-410bps	318bps		
Coal Produced (MT)	6.5	8.1	7.9	21%	-3%		

Source: Company, Axis Securities, LSEG Workspace Consensus

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

Y/E March	FY 23A	FY 24A	FY 25E	FY 26E
Revenue from Operations	1,76,207	1,78,501	2,01,978	2,13,561
Operating expenses	1,05,981	1,03,995	1,10,746	1,15,564
Employee benefits expense	6,528	6,592	6,947	7,218
Other Expense	15,969	16,821	16,983	17,986
Total Expenditure	1,28,478	1,27,408	1,34,675	1,40,768
<b>EBITDA</b>	<b>47,729</b>	<b>51,093</b>	<b>67,303</b>	<b>72,793</b>
<b>EBITDA Margin %</b>	<b>27%</b>	<b>29%</b>	<b>33%</b>	<b>34%</b>
Depreciation	14,792	16,204	16,418	18,442
Other Income	1,770	2,665	3,030	3,203
Interest	11,156	12,048	13,517	14,703
Exceptional Items	-	-	-	-
<b>Profit Before Tax</b>	<b>23,551</b>	<b>25,506</b>	<b>40,397</b>	<b>42,851</b>
Tax	6,796	6,809	10,785	11,440
<b>Net Profit</b>	<b>16,755</b>	<b>18,697</b>	<b>29,612</b>	<b>31,411</b>
Share of profits of JVs	780	1,636	1,652	1,668
Movement in regulatory deferral account	-413	1,000	1,000	1,000
<b>Reported Net Profit</b>	<b>17,121</b>	<b>21,332</b>	<b>32,265</b>	<b>34,080</b>
Minority interest	209	521	521	521
<b>Attributable Net Profit</b>	<b>16,913</b>	<b>20,812</b>	<b>31,744</b>	<b>33,560</b>
Wt Avg No of shares (Basic and Diluted) (Cr)	970	970	970	970
EPS (Rs/sh)	17.66	22.00	33.27	35.15
<b>Adj EPS (Rs/sh)</b>	<b>17.44</b>	<b>21.46</b>	<b>32.74</b>	<b>34.61</b>
<b>DPS (Rs/sh)</b>	<b>7.47</b>	<b>7.75</b>	<b>13.64</b>	<b>14.41</b>

Source: Company, Axis Securities

**Balance Sheet**

(Rs Cr)

Y/E March	FY 23A	FY 24A	FY 25E	FY 26E
<b>Capital Employed</b>				
Share Capital	9,697	9,697	9,697	9,697
Reserves Total	1,37,327	1,51,013	1,70,254	1,90,566
<b>Total Shareholders' Funds</b>	<b>1,47,023</b>	<b>1,60,709</b>	<b>1,79,950</b>	<b>2,00,263</b>
Minority Interest	3,930	4,413	4,413	4,413
Secured Loans	1,87,884	1,90,215	2,23,188	2,42,967
Unsecured Loans	1,821	2,091	2,091	2,091
<b>Total Debt</b>	<b>1,89,704</b>	<b>1,92,306</b>	<b>2,25,279</b>	<b>2,45,058</b>
Other Liabilities	5,318	5,434	5,434	5,434
Deferred Tax Liability	12,690	15,232	15,232	15,232
<b>Total Liabilities Equity</b>	<b>3,58,666</b>	<b>3,78,094</b>	<b>4,30,308</b>	<b>4,70,400</b>
<b>Capital Applied</b>				
<b>Non-Current Assets</b>				
Net PPE	2,40,545	2,59,051	2,88,618	3,38,224
CWIP	89,179	87,664	91,909	76,210
Regulatory Deferral Account balance	12,549	14,856	14,856	14,856
Non-Current Investments	13,885	15,835	15,835	15,835
Other Non-Current Assets	21,365	19,755	19,755	19,755
<b>Total Non-Current Assets</b>	<b>3,77,523</b>	<b>3,97,161</b>	<b>4,30,972</b>	<b>4,64,879</b>
<b>Net Current Assets</b>				
Inventories	14,240	18,019	19,368	17,553
Sundry Debtors	28,825	33,350	35,969	38,031
Cash and Bank	4,949	6,847	22,672	29,338
Other Current Assets	20,485	24,819	24,819	24,819
<b>Total Current Assets</b>	<b>68,499</b>	<b>83,036</b>	<b>1,02,828</b>	<b>1,09,742</b>
Less: Current Liabilities and Prov				
<b>Current Liabilities</b>				
Creditors	13,909	11,338	12,727	13,457
Other Current Liabilities	65,229	83,704	83,704	83,704
Provisions	8,217	7,060	7,060	7,060
<b>Total Current Liabilities</b>	<b>87,355</b>	<b>1,02,102</b>	<b>1,03,492</b>	<b>1,04,222</b>
<b>Net Current Assets</b>	<b>-18,856</b>	<b>-19,067</b>	<b>-664</b>	<b>5,520</b>
<b>Total Assets</b>	<b>3,58,666</b>	<b>3,78,094</b>	<b>4,30,308</b>	<b>4,70,400</b>

Source: Company, Axis Securities

**Cash Flow**

(Rs Cr)

Y/E March	FY 23A	FY 24A	FY 25E	FY 26E
<b>Profit before tax</b>	<b>23,825</b>	<b>28,356</b>	<b>43,254</b>	<b>45,725</b>
Depreciation	14,792	16,204	16,418	18,442
Interest Expenses	11,092	11,955	13,517	14,703
Non-operating / EO item	1,063	-2,750	-3,030	-3,203
Change in W/C	-6,645	-9,337	-2,578	482
Income Tax (Paid)/Refund	-4,076	-3,643	-10,785	-11,440
<b>Operating Cash Flow</b>	<b>40,052</b>	<b>40,785</b>	<b>56,797</b>	<b>64,709</b>
Capital Expenditure	-24,819	-30,816	-50,229	-52,349
<b>Free cash Flow</b>	<b>15,233</b>	<b>9,969</b>	<b>6,567</b>	<b>12,360</b>
Other Investments	-1,289	-1,325	3,030	3,203
<b>Investing Cash Flow</b>	<b>-26,107</b>	<b>-32,141</b>	<b>-47,200</b>	<b>-49,146</b>
Proceeds / (Repayment) of Borrowings	8,146	15,137	32,973	19,779
Finance cost paid	-14,822	-15,832	-13,517	-14,703
Dividend paid	-7,248	-7,419	-13,228	-13,973
Other Financing activities	-	-	-	-
<b>Financing Cash Flow</b>	<b>-14,154</b>	<b>-8,246</b>	<b>6,228</b>	<b>-8,897</b>
Change in Cash	-210	398	15,825	6,666
Opening Cash	5,159	6,450	6,847	22,672
<b>Closing Cash</b>	<b>4,949</b>	<b>6,847</b>	<b>22,672</b>	<b>29,338</b>

Source: Company, Axis Securities

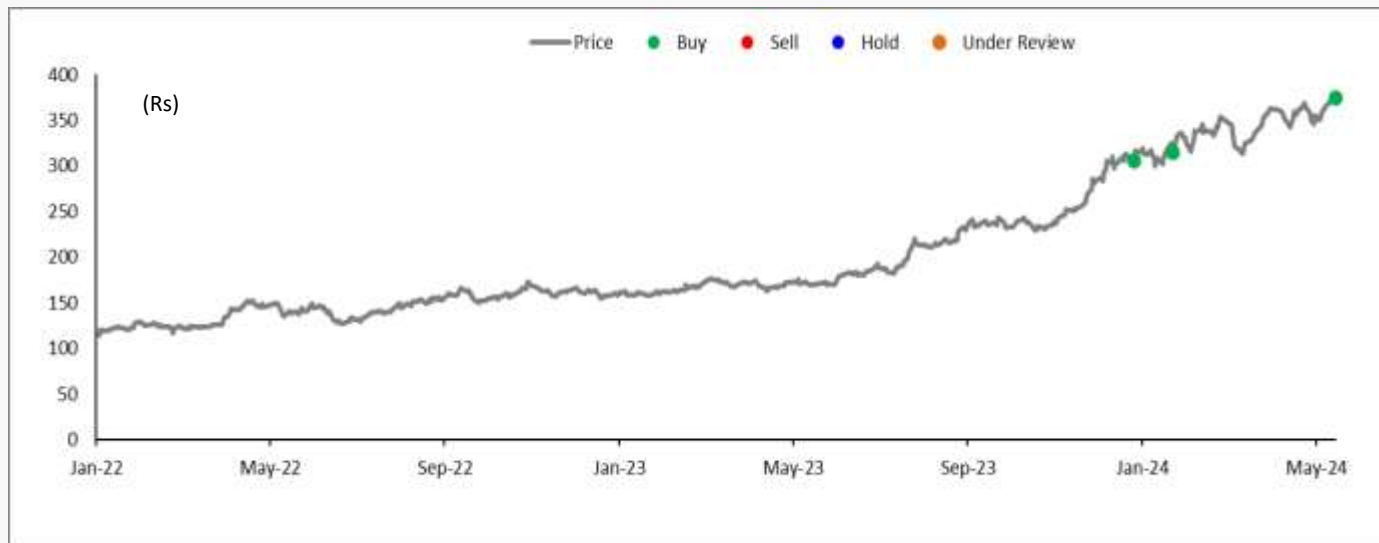
**Ratio Analysis**

(%)

Y/E March	FY 23A	FY 24A	FY 25E	FY 26E
<b>Operational Ratios</b>				
Revenue growth (% YoY)	33%	1%	13%	6%
EBITDA growth (% YoY)	18%	7%	32%	8%
Attrib Net Profit growth (% YoY)	1%	23%	53%	6%
EBITDA Margin %	27%	29%	33%	34%
Attrib Net profit Margin %	10%	12%	16%	16%
Tax Rate %	29%	27%	27%	27%
<b>Efficiency Ratios</b>				
Total Asset turnover (x)	0.40	0.37	0.38	0.37
Sales/Gross block (x)	0.52	0.48	0.48	0.44
Sales/Net block(x)	0.73	0.69	0.70	0.63
<b>Valuation Ratios</b>				
PER (x)	10.03	17.45	11.44	10.82
P/BV (x)	1.15	2.26	2.02	1.81
EV/Ebitda (x)	7.51	10.82	8.47	8.01
EV/Sales (x)	2.03	3.10	2.82	2.73
Dividend Yield (%)	0.04	0.02	0.04	0.04
<b>Return Ratios</b>				
ROE	11.5%	13.0%	17.6%	16.8%
ROCE	9.5%	9.5%	12.6%	12.1%
ROIC	7.5%	7.8%	10.6%	10.3%
<b>Leverage Ratios</b>				
Debt / equity (x)	1.26	1.16	1.22	1.20
Net debt/ Equity (x)	1.22	1.12	1.10	1.05
Net debt/Ebitda (x)	3.87	3.63	3.01	2.96

Source: Company, Axis Securities

## NTPC Price Chart and Recommendation History



Date	Reco	TP	Research
04-Jan-24	BUY	345	Initiating Coverage
31-Jan-24	BUY	350	Result Update
27-May-24	BUY	420	Result Update

Source: Axis Securities

**About the Analyst**

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Analyst Bio: Aditya Welekar is a PGDBM in Finance with 12 years of experience in Equity Market/Research.

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