

## Renewed thrust on thermal to sustain growth momentum; maintain BUY

In 3QFY24, NTPC Ltd (NTPC) reported net sales of INR 428bn (-4% YoY, -8% JMFe, -8% consensus), EBITDA of INR 114bn (-22%YoY, -12% JMFe), and adj. PAT of INR 52bn (+9% YoY, +4% JMFe, -2% consensus) during 3QFY24. There was a significant improvement in operations; gross generation/ plant load factor (PLF) increased to 89.5 BU (13.8% YoY)/ 76% (v/s 69% 3QFY23) which was overshadowed by the change in accounting method that has led to inflated sales during 3QFY23 (one-time adjustment of INR 30.97bn due to 'Net movement in regulatory deferral account balances (net of taxes) relating to reimbursement of ash transportation cost). Given the continued growth momentum in renewables and renewed thrust on margin-accretive thermal power, we revise our FY27 and beyond estimates upwards factoring the extended visibility of thermal power. We value the company's thermal business at 2x FY26E Regulated Equity and assign 12x multiple to FY26E EBITDA of its RE business. We maintain our BUY rating with a revised TP of INR 368.

- **New thermal capacity addition:** The management has guided for 16.8 GW (9.6 GW standalone, 7.2 GW JV/subsidiary) of new thermal projects to be awarded in the short to medium term. These include 2x800 MW NTPC Singrauli-III; 1x800 MW NTPC Sipta-III; 1x800 MW NTPC Darlipali-II; 3x800 MW NTPC Meja-II; 3x660 MW NTPC Nabinagar TPS; 2x800 MW UPRVUNL, Obra-D TPS; 2x800 MW UPRVUNL, Anpara-D TPS; 3x800 MW NTPC Telangana Ph-II; 2x800MW Patraru St-II; 2x800MW Gadarwara St-II.

The company has targeted to order 5.6/6.4/4.8 GW of thermal projects during 1HFY25/ 2QFY26/ 3QFY27.

- **Renewables' trajectory:** NTPC has an installed RE capacity of 3.3GW with another 7.8GW under construction and 11.9GW under pipeline, which include a mix of ground-mounted solar, floating solar, wind and some small hydro. NTPC has a vision of 60GW of installed RE capacity by FY32.
- **Capacity addition:** The company expects commissioning of 3580MW of projects in FY24. Around 4GW/7GW of projects are likely to commission during FY25/FY26.
- **Coal production:** NTPC recorded 19.92MT of coal production during 9MFY24 (+45% YoY) from four captive mines i.e. Pakri-Barwadhi, Dulanga, Talaipalli, and Chatti-Bariatu. It produced 23.2MT of coal during FY23 and has set an ambitious production target of 34 MT for FY24.
- **Flue Gas Desulphurization (FGD):** NTPC has awarded 65,200MW of FGD projects out of which 12,660 MW have been commissioned and 52,540 MW are under construction which are likely to commission in the next 3 years.
- **Capex:** The Company expects to incur a capex of INR 283.73bn during FY24 out of which INR 215.52bn is already incurred.
- **Regulated equity:** The regulated equity stands at INR 987bn/821bn on a group/ standalone basis.

**Recommendation and Price Target**

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	368
Upside/(Downside)	16.8%
Previous Price Target	270
Change	36.4%

**Key Data – NTPC IN**

Current Market Price	INR315
Market cap (bn)	INR3,058.8/US\$36.8
Free Float	43%
Shares in issue (mn)	9,696.7
Diluted share (mn)	9,696.7
3-mon avg daily val (mn)	INR4,661.3/US\$56.1
52-week range	326/163
Sensex/Nifty	71,140/21,522
INR/US\$	83.1

**Price Performance**

%	1M	6M	12M
Absolute	1.4	50.2	86.8
Relative*	3.0	39.7	56.3

\* To the BSE Sensex

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary	(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	1,326,693	1,762,069	1,854,863	2,095,760	2,201,161
Sales Growth (%)	19.0	32.8	5.3	13.0	5.0
EBITDA	402,796	477,289	541,959	636,628	670,478
EBITDA Margin (%)	30.4	27.1	29.2	30.4	30.5
Adjusted Net Profit	169,603	171,214	227,701	277,952	277,883
Diluted EPS (INR)	17.5	17.7	23.5	28.7	28.7
Diluted EPS Growth (%)	2.9	0.9	33.0	22.1	0.0
ROIC (%)	6.7	7.4	8.5	9.5	9.0
ROE (%)	13.0	12.1	14.7	16.2	14.7
P/E (x)	18.0	17.8	13.4	11.0	11.0
P/B (x)	2.3	2.1	1.9	1.7	1.6
EV/EBITDA (x)	12.1	10.4	9.2	8.0	7.7
Dividend Yield (%)	2.3	2.4	3.1	3.8	3.8

Source: Company data, JM Financial. Note: Valuations as of 30/Jan/2024

## 3QFY24 Results Summary

## Exhibit 1. 3QFY24 consolidated earnings

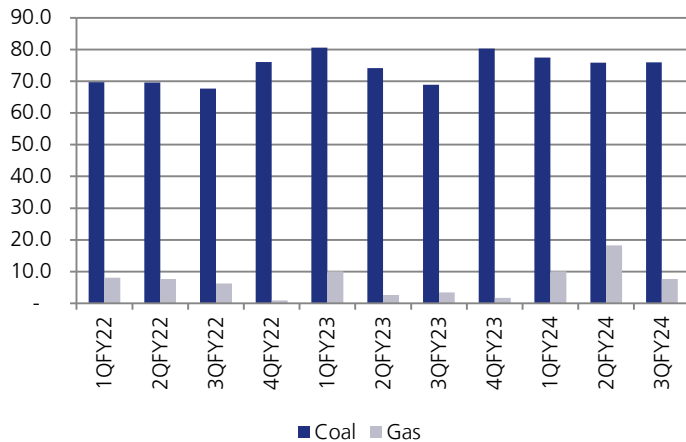
Y/E March (INR mn)	3QFY24	3QFY23	%YoY	2QFY24	%QoQ	JMFe	% Var
Generation (BUs)	89.5	78.6	14%	90.3	-1%	88.9	1%
<b>Net Sales</b>	<b>428,204</b>	<b>446,018</b>	<b>-4%</b>	<b>449,834</b>	<b>-5%</b>	<b>466,840</b>	<b>-8%</b>
Expenditure	314,582	301,243	4%	323,032	-3%	338,237	-7%
<b>EBITDA</b>	<b>113,622</b>	<b>144,776</b>	<b>-22%</b>	<b>126,802</b>	<b>-10%</b>	<b>128,604</b>	<b>-12%</b>
<b>EBITDA (%)</b>	<b>26.5</b>	<b>32.5</b>	<b>-593bps</b>	<b>28.2</b>	<b>-165bps</b>	<b>27.5</b>	<b>101bps</b>
Depreciation	40,739	37,151	10%	40,377	1%	40,951	
<b>EBIT</b>	<b>72,882</b>	<b>107,625</b>	<b>-32%</b>	<b>86,425</b>	<b>-16%</b>	<b>87,653</b>	<b>-17%</b>
Other income	7,543	3,874	95%	4,013	88%	3,750	101%
Interest	32,501	31,682	3%	29,205	11%	29,985	
Share of income in Asso.	3,420	3,601	-5%	4,031	-15%	2,550	34%
<b>PBT</b>	<b>51,344</b>	<b>83,418</b>	<b>-38%</b>	<b>65,264</b>	<b>-21%</b>	<b>63,968</b>	<b>-20%</b>
Tax	13,618	18,288	-26%	20,197	-33%	17,528	
Tax rate (%)	27	22	460bps	31	-442bps	27	
Reg def (net of tax)	14,362	-16,587	-187%	2,196	554%	3,716	286%
<b>Reported PAT</b>	<b>52,089</b>	<b>48,544</b>	<b>7%</b>	<b>47,264</b>	<b>10%</b>	<b>50,156</b>	<b>4%</b>
<b>PAT (adjusted) JMFe</b>	<b>52,089</b>	<b>48,024</b>	<b>8.46%</b>	<b>47,264</b>	<b>10%</b>	<b>50,156</b>	<b>4%</b>
<b>EPS (Rs)</b>	<b>5.4</b>	<b>5.0</b>	<b>7%</b>	<b>4.9</b>	<b>10%</b>	<b>5.2</b>	

Cost-break up	3QFY24	3QFY23	%YoY	2QFY24	%QoQ	JMFe	
Raw material Costs	248,127	232,211	7%	269,296	-8%	280,104	-11%
% of sales	58%	52%	588bps	60%	-192bps	60%	205bps
RM/MU	2.8	3.0	-6%	3.0	-7%	3.2	
Staff Costs	16,185	17,171	-6%	15,280	6%	18,119	
% of sales	4%	4%	-7bps	3%	38bps	4%	-10bps
Other Expenses	50,270	51,861	-3%	38,455	31%	40,013	
% of sales	12%	12%	11bps	9%	319bps	9%	317bps

Source: Company, JM Financial

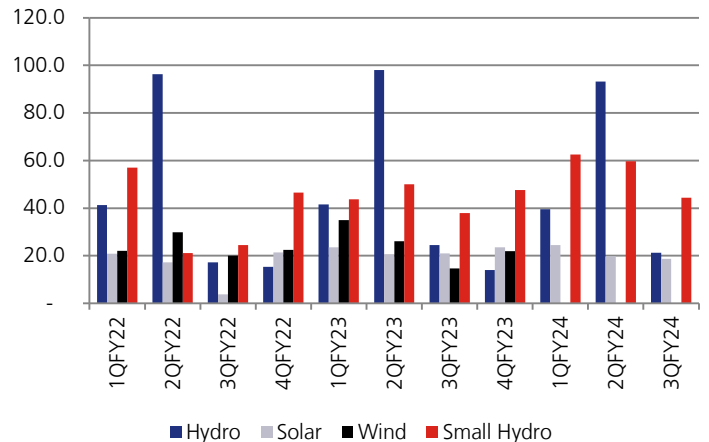
Key Charts

Exhibit 2. PLF (%) – fossil fuel-based generation



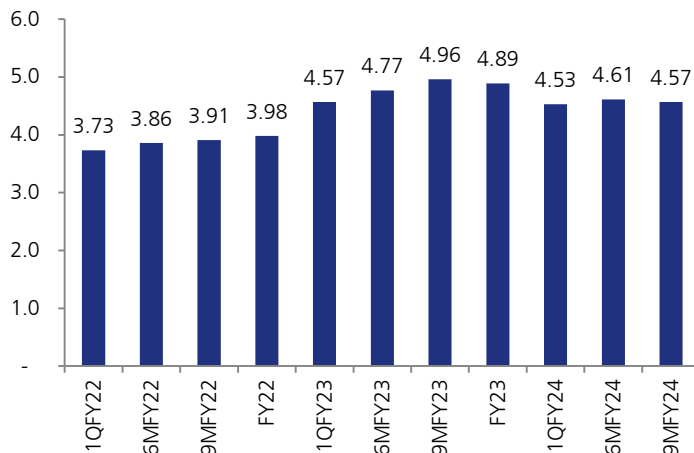
Source: Company, JM Financial

Exhibit 3. PLF (%) – non-fossil fuel-based generation



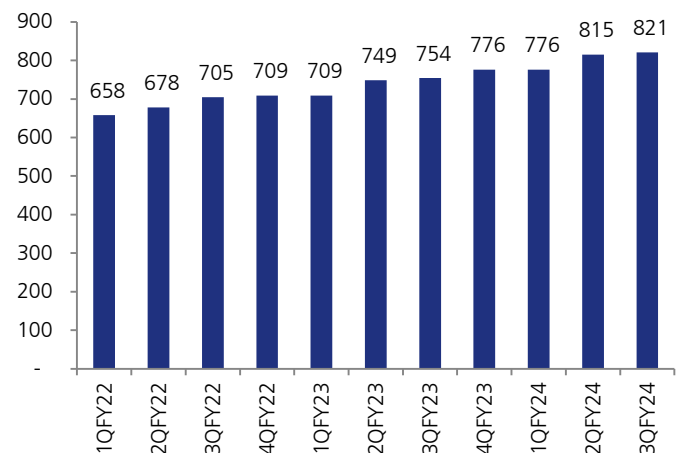
Source: Company, JM Financial

Exhibit 4. Average tariff (INR)



Source: Company, JM Financial

Exhibit 5. Standalone regulated equity (INR bn)



Source: Company, JM Financial

Exhibit 6. Operational performance, quarterly

	3QFY24	3QFY23	YoY%	2QFY24	QoQ%
<b>Capacity (MW)</b>					
Coal PLF (%)	75.95	68.85	+710 bps	75.83	+12 bps
Coal PAF (%)	86.24	92.67	-643 bps	90.12	-388 bps
<b>Generation (BU)</b>					
Gross Generation (BU)	89.5	78.6	14%	90.3	-1%
Commercial Generation (BU)	89.5	78.6	14%	89.9	0%
Energy Sent out (BU)	83.9	72.9	15%	83.8	0%
<b>Coal Data (MMT)</b>					
<b>Coal Supply Position</b>					
Domestic	60.2	52.5	15%	54.2	11%
Imported	2.2	1.6	37%	1.3	72%
<b>Total</b>	<b>62.4</b>	<b>54.0</b>	<b>15.5%</b>	<b>55.4</b>	<b>12.6%</b>
Captive mines – comm. coal production	8.1	5.4	51%	5.6	45%

Source: Company, JM Financial

Valuation

Exhibit 7. SOTP Table

Particulars	Rationale	Multiple (x)	Equity Value (INR mn)	Value per Share
Thermal	FY 26E Consolidated Regulated Equity	2	2,557,629	264
Renewable	FY 26E EV/EBITDA	12	669,060	69
CWIP	FY 26E BV	1	187,231	19
Cash & Cash Equivalent	FY25 BV	1	158,072	16
<b>Total</b>			<b>3,571,992</b>	<b>368</b>

Source: Company, JM Financial

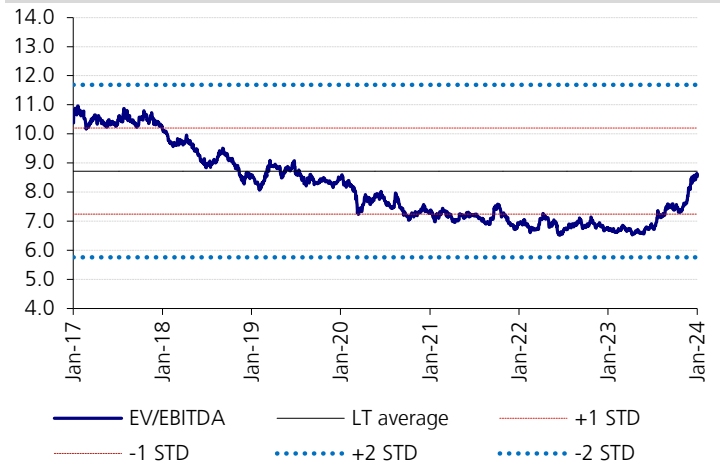
Valuation Bands

Exhibit 8. P/B



Source: Company, JM Financial

Exhibit 9. EV/EBITDA



Source: Company, JM Financial

## Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	1,326,693	1,762,069	1,854,863	2,095,760	2,201,161	
Sales Growth	19.0%	32.8%	5.3%	13.0%	5.0%	
Other Operating Income	0	0	0	0	0	
<b>Total Revenue</b>	<b>1,326,693</b>	<b>1,762,069</b>	<b>1,854,863</b>	<b>2,095,760</b>	<b>2,201,161</b>	
Cost of Goods Sold/Op. Exp	753,377	1,059,807	1,083,826	1,211,880	1,269,494	
Personnel Cost	63,101	65,283	69,025	73,158	76,450	
Other Expenses	107,420	159,690	160,053	174,093	184,739	
<b>EBITDA</b>	<b>402,796</b>	<b>477,289</b>	<b>541,959</b>	<b>636,628</b>	<b>670,478</b>	
EBITDA Margin	30.4%	27.1%	29.2%	30.4%	30.5%	
EBITDA Growth	18.6%	18.5%	13.5%	17.5%	5.3%	
Depn. & Amort.	137,878	147,923	148,912	167,034	191,946	
EBIT	264,917	329,366	393,047	469,594	478,532	
Other Income	23,250	17,702	15,000	18,000	18,000	
Finance Cost	93,160	111,561	119,941	128,854	137,888	
PBT before Excep. & Forex	195,008	235,508	288,106	358,740	358,644	
Excep. & Forex Inc./Loss(-)	14,865	-4,131	7,432	7,432	7,432	
PBT	209,873	231,377	295,538	366,172	366,076	
Taxes	50,471	67,961	83,139	103,522	103,495	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	13,045	9,886	17,390	17,390	17,390	
Reported Net Profit	166,759	169,126	225,613	275,864	275,795	
<b>Adjusted Net Profit</b>	<b>169,603</b>	<b>171,214</b>	<b>227,701</b>	<b>277,952</b>	<b>277,883</b>	
Net Margin	12.8%	9.7%	12.3%	13.3%	12.6%	
Diluted Share Cap. (mn)	9,696.7	9,696.7	9,696.7	9,696.7	9,696.7	
<b>Diluted EPS (INR)</b>	<b>17.5</b>	<b>17.7</b>	<b>23.5</b>	<b>28.7</b>	<b>28.7</b>	
Diluted EPS Growth	2.9%	0.9%	33.0%	22.1%	0.0%	
Total Dividend + Tax	71,069	71,910	95,634	116,740	116,711	
Dividend Per Share (INR)	7.3	7.4	9.9	12.0	12.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	1,353,737	1,470,232	1,626,023	1,808,340	1,969,484	
Share Capital	96,967	96,967	96,967	96,967	96,967	
Reserves & Surplus	1,256,771	1,373,265	1,529,056	1,711,374	1,872,517	
Preference Share Capital	0	0	0	0	0	
Minority Interest	37,604	39,305	39,305	39,305	39,305	
Total Loans	1,829,185	1,897,044	1,999,013	2,147,567	2,298,139	
Def. Tax Liab. / Assets (-)	109,517	126,900	126,900	126,900	126,900	
<b>Total - Equity &amp; Liab.</b>	<b>3,330,043</b>	<b>3,533,480</b>	<b>3,791,241</b>	<b>4,122,112</b>	<b>4,433,827</b>	
Net Fixed Assets	3,153,690	3,297,243	3,459,841	3,683,005	3,901,824	
Gross Fixed Assets	3,081,252	3,384,360	3,796,228	4,362,407	4,764,518	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	837,814	978,907	1,127,818	1,294,852	1,486,798	
Capital WIP	910,252	891,790	791,431	615,450	624,104	
Investments	113,066	138,848	138,848	138,848	138,848	
Current Assets	898,412	1,024,123	1,121,124	1,241,784	1,345,564	
Inventories	101,393	142,404	147,373	166,512	174,887	
Sundry Debtors	273,421	288,252	330,318	373,217	391,988	
Cash & Bank Balances	44,581	49,485	99,451	158,072	234,708	
Loans & Advances	0	0	0	0	0	
Other Current Assets	479,018	543,982	543,982	543,982	543,982	
Current Liab. & Prov.	835,124	926,735	929,937	942,675	950,472	
Current Liabilities	159,190	192,271	195,474	208,212	216,009	
Provisions & Others	675,934	734,464	734,464	734,464	734,464	
Net Current Assets	63,288	97,389	191,187	299,109	395,092	
<b>Total - Assets</b>	<b>3,330,043</b>	<b>3,533,480</b>	<b>3,789,876</b>	<b>4,120,961</b>	<b>4,435,764</b>	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	223,114	238,248	297,062	367,696	367,600	
Depn. & Amort.	137,878	147,923	148,912	167,034	191,946	
Net Interest Exp. / Inc. (-)	79,466	110,921	119,941	128,854	137,888	
Inc (-) / Dec in WCap.	19,141	-66,450	7,305	3,797	15,489	
Others	-20,986	10,630	-15,000	-18,000	-18,000	
Taxes Paid	-20,731	-40,757	-83,139	-103,522	-103,495	
<b>Operating Cash Flow</b>	<b>417,882</b>	<b>400,516</b>	<b>475,080</b>	<b>545,858</b>	<b>591,429</b>	
Capex	-243,309	-247,202	-311,510	-390,198	-410,765	
Free Cash Flow	174,573	153,313	163,571	155,661	180,664	
Inc (-) / Dec in Investments	5,000	-8,573	0	0	0	
Others	9,927	-5,297	0	0	0	
<b>Investing Cash Flow</b>	<b>-228,382</b>	<b>-261,072</b>	<b>-311,510</b>	<b>-390,198</b>	<b>-410,765</b>	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-71,069	-72,479	-95,634	-116,740	-116,711	
Inc / Dec (-) in Loans	7,234	81,458	101,970	148,554	150,571	
Others	-127,880	-150,524	-119,940	-128,854	-137,888	
<b>Financing Cash Flow</b>	<b>-191,716</b>	<b>-141,545</b>	<b>-113,605</b>	<b>-97,040</b>	<b>-104,028</b>	
<b>Inc / Dec (-) in Cash</b>	<b>-2,216</b>	<b>-2,101</b>	<b>49,966</b>	<b>58,621</b>	<b>76,636</b>	
Opening Cash Balance	46,797	51,587	49,485	99,451	158,072	
Closing Cash Balance	44,581	49,485	99,451	158,072	234,708	

Source: Company, JM Financial

Dupont Analysis		FY22A	FY23A	FY24E	FY25E	FY26E
Net Margin		12.8%	9.7%	12.3%	13.3%	12.6%
Asset Turnover (x)		0.3	0.4	0.4	0.4	0.4
Leverage Factor (x)		3.1	3.1	3.0	2.8	2.8
RoE		13.0%	12.1%	14.7%	16.2%	14.7%

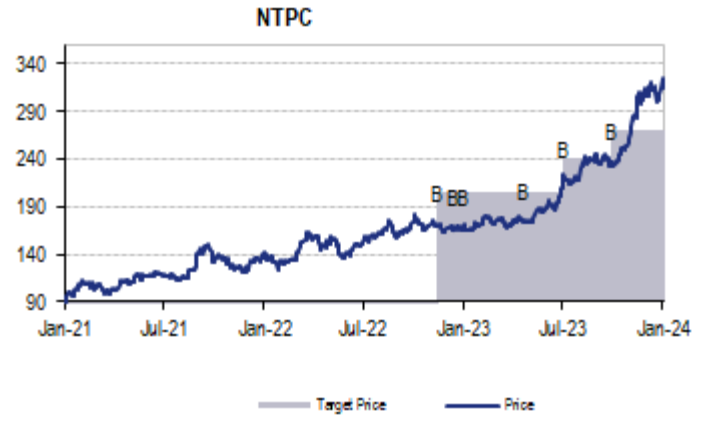
Key Ratios		FY22A	FY23A	FY24E	FY25E	FY26E
BV/Share (INR)		139.6	151.6	167.7	186.5	203.1
ROIC		6.7%	7.4%	8.5%	9.5%	9.0%
ROE		13.0%	12.1%	14.7%	16.2%	14.7%
Net Debt/Equity (x)		1.3	1.3	1.2	1.1	1.0
P/E (x)		18.0	17.8	13.4	11.0	11.0
P/B (x)		2.3	2.1	1.9	1.7	1.6
EV/EBITDA (x)		12.1	10.4	9.2	8.0	7.7
EV/Sales (x)		3.7	2.8	2.7	2.4	2.3
Debtor days		75	60	65	65	65
Inventory days		28	29	29	29	29
Creditor days		45	40	40	39	39

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
14-Dec-22	Buy	205	
11-Jan-23	Buy	205	-0.2
29-Jan-23	Buy	205	0.2
20-May-23	Buy	205	-0.1
31-Jul-23	Buy	240	17.4
29-Oct-23	Buy	270	12.2

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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