




NTPC Limited

HOLD

Sector: Power

5th November 2024

Key Changes	Target		Rating		Earnings		Target	Rs.434
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs.401	
Large Cap	NTPC:IN	78,782	NTPC	532555	12 Months	Return	+8%	

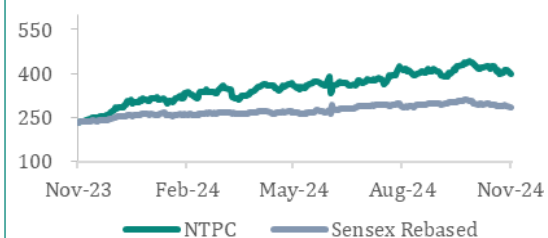
Data as of: 04-11-2024

Company Data	
Market Cap (Rs. Cr)	399,745
52 Week High — Low (Rs.)	448 - 234
Enterprise Value (Rs. cr)	623,245
Outstanding Shares (cr)	969.8
Free Float (%)	49.0
Dividend Yield (%)	1.9
6m average volume (cr)	2.0
Beta	1.1
Face value (Rs.)	10.0

Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	51.1	51.1	51.1
FII's	17.9	17.7	18.6
MFs/Institutions	27.6	27.5	26.5
Public	2.7	2.9	3.1
Others	0.8	0.7	0.7
Total	100.0	100.0	100.0
Promoter Pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	4.7%	13.5%	74.3%
Absolute Sensex	-1.2%	7.6%	26.0%
Relative Return	5.9%	5.9%	48.3%

*over or under performance to benchmark index



Y.E March (cr)	FY24A	FY25E	FY26E
Sales	178,501	188,169	200,734
Growth (%)	1.3	5.4	6.7
EBITDA	53,758	57,187	61,475
EBITDA Margin (%)	30.1	30.4	30.6
PAT Adjusted	20,812	21,874	24,014
Growth (%)	23.1	5.1	9.8
Adjusted EPS	21.5	22.6	24.8
Growth (%)	23.0	5.1	9.8
P/E	15.7	17.9	16.3
P/B	2.0	2.2	2.0
EV/EBITDA	10.3	10.9	10.1
ROE (%)	13.0	12.5	12.6
D/E	1.4	1.3	1.2

Muted Results, Cautious Outlook

NTPC Ltd owns and operates electricity generation plants that supply power to state electricity boards in India. The company generates power from coal, gas, liquid fuel, hydro, solar, nuclear, wind and other renewable energy sources. It has an installed capacity of ~76 gigawatt (GW).

- Q2FY25 revenues declined to Rs. 44,696cr (-0.6% YoY) in Q2FY25 as generation segment revenues fell by -0.3%YoY. Group generation stood at 220bn units in H1FY25, up from 212bn units in H1FY24 (+3.7% YoY).
- Gross generation reached 186bn units, marking a 3.9% increase over 179bn units in 1HFY24. Other segment saw 4.4% growth in revenue to Rs. 4,168cr.
- Coal-based stations achieved a Plant Load Factor of 76.3%, significantly outperforming the national average of 70.6%. Till September 2024, the company also incurred a cumulative expenditure of Rs.11,585cr for development of coal mines.
- EBIDTA fell 7.1% YoY to Rs. 12,157cr and EBITDA margin declined 190bps to 27.2% due to a rise in other expenses.
- Profit after tax grew 13.8% YoY to Rs. 5,380cr due to movement in regulatory deferral account balances (net of tax).

Valuation

NTPC's Q2FY25 financial performance was muted, characterized by stable revenue and a lower bottom line, despite an increase in coal production. The incurred coal mine development capex and expected roll-out of tenders for over 13.6GW of thermal capacity by FY27 paint NTPC's focus as turning towards conventional sources, while the to-be-listed subsidiary, NTPC Green Energy, focuses on executing renewable projects. However, we downgrade the stock from BUY to HOLD, valuing it at 10.1X EV/EBITDA, as execution risks continue to remain as an overhang, setting a revised target price of Rs. 434. Note : NTPC shareholders stand to benefit from the IPO listing, as 10% of the IPO is reserved specifically for them.

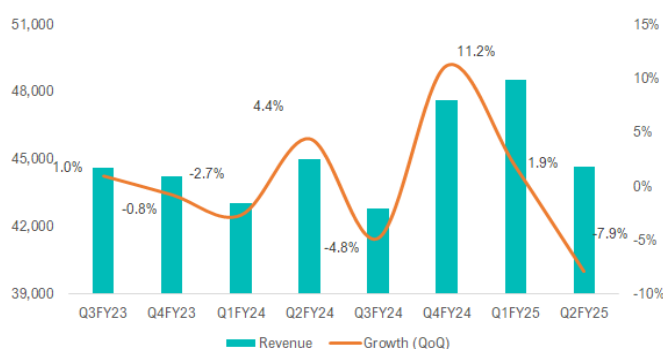
Quarterly Financials Consol.

Rs.cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Sales	44,696	44,983	-0.6	48,521	-7.9	93,217	88,058	5.9
EBITDA	12,157	13,081	-7.1	14,478	-16.0	26,634	26,252	1.5
Margin (%)	27.2	29.1	-190bps	29.8	264bps	28.6	29.8	-120bps
EBIT	7,941	9,044	-12.2	10,273	-22.7	12,582	13,632	-7.7
PBT	4,710	6,526	-27.8	7,871	-40.2	-6,756	-5,843	15.6
Rep. PAT	5,380	4,726	13.8	5,506	-2.3	10,886	9,634	13.0
Adj PAT	5,380	4,726	13.8	5,474	-1.7	10,886	9,634	13.0
EPS (Rs)	5.4	4.7	14.1	5.6	-3.9	11	9.7	13.2

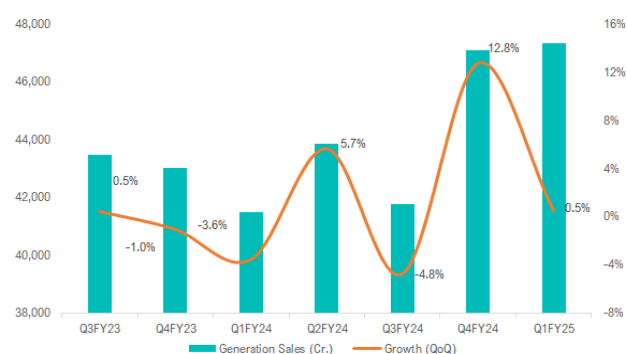
Key concall highlights

- The NTPC Group has expanded its footprint by adding 485 MW of commercial energy capacity. As of September 30, 2024, NTPC's commercial capacity was 59,168 MW on a standalone basis. NTPC Group's total capacity stands at 76,443 MW.
- NTPC achieved its highest-ever coal production—19.23 million metric tons—in H1FY25. This marks a growth of more than 19.7% over the 16.06 MMT generated a year earlier.
- The Government of India has approved the transfer of the Mahi Banswara nuclear power project, which includes 4 into 700 MW units, to Anushakti Vidyut Nigam Ltd (NTPC and NPCIL JV), ASHVINI. A wholly owned subsidiary of NTPC Ltd. will also implement small modular reactors, fast breeder reactors and pressurised water reactors at the site.
- The NTPC Group is strongly committed to renewables and has already commissioned 4,013 MW of renewable energy projects. On September 18, the company filed the draft red hearing prospectus for NTPC Green Energy Ltd's initial public offering.
- On September 25, 2024, NTPC Green Energy Ltd entered a joint venture with Mahatma Phule Renewable Energy & Infrastructure Technology Limited (MAHPREIT) to develop 10 GW of renewable energy parks and projects in Maharashtra.
- NTPC's capex for 1HFY25 was Rs.17,474cr, up from Rs.13,204cr a year earlier. For FY25, the estimated standalone capital outlay stands at Rs. 22,700cr, while the consolidated capital outlay is Rs. 27,982cr.

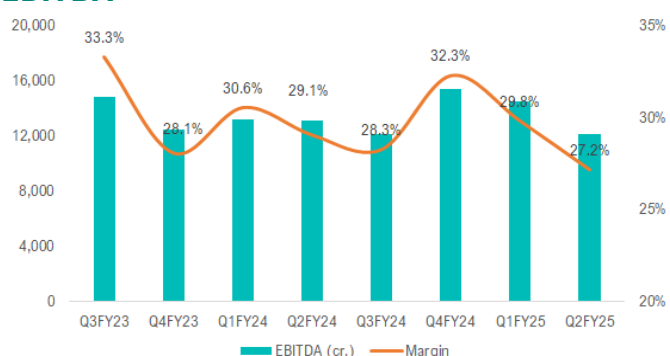
Revenue



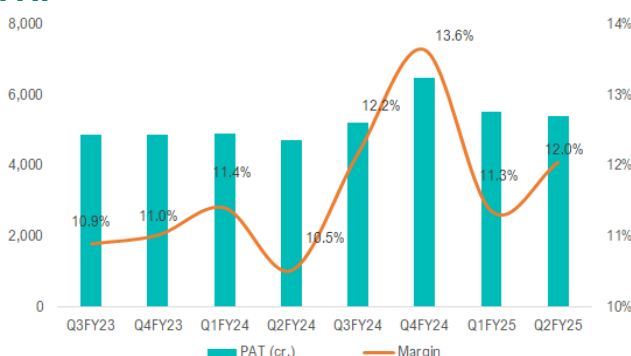
Generation Sales



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	190,651	203,635	188,169	200,734	-1.3	-1.4
EBITDA	57,859	62,824	57,187	61,475	-1.2	-2.1
Margins (%)	30.3	30.9	30.4	30.6	10bps	-30bps
Adj. PAT	21,886	24,053	21,874	24,014	-0.1	-0.2
EPS	22.6	24.8	22.6	24.8	-0.1	-0.2



Consolidated Financials

Profit & Loss

Y.E March (Rs. Cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Sales	132,669	176,207	178,501	188,169	200,734
% change	19.0	32.8	1.3	5.4	6.7
EBITDA	42,605	49,499	53,758	57,187	61,475
% change	12.1	16.2	8.6	6.4	7.5
Depreciation	13,788	14,792	16,204	17,330	18,568
EBIT	28,817	34,707	37,554	39,857	42,907
Interest	9,316	11,156	12,048	12,681	12,975
Other Income	1,020	780	1,636	2,136	2,636
PBT	20,521	24,331	27,141	29,311	32,568
% change	32.5	18.6	11.6	8.0	11.1
Tax	5,047	6,796	6,809	7,404	8,226
Tax Rate (%)	24.6	27.9	25.1	25.3	25.3
Reported PAT	16,960	17,121	21,332	22,207	24,441
Adj.*	-	-	-	-	-
Adj. PAT	16,676	16,913	20,812	21,874	24,014
% change	3.3	1.4	23.1	5.1	9.8
No. of shares (cr)	969.7	969.7	969.8	969.8	969.8
Adj EPS (Rs)	17.2	17.4	21.5	22.6	24.8
% change	3.3	1.4	23.0	5.1	9.8
DPS (Rs)	7.0	7.3	7.8	7.9	8.0

Cashflow

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Deprn.	30,464	31,705	37,016	39,204	42,582
Non-cash adj.	6,889	11,184	8,241	215	524
Other adjustments	-	-	-	-	-
Changes in W.C	4,436	4,263	-4,472	530	-1,545
C.F. Operation	41,788	47,152	40,785	39,950	41,560
Capital exp.	-24,331	-24,720	-30,741	-34,811	-36,132
Change in inv.	1,000	-920	-219	-132	-79
Other invest.CF	440	-505	-1,181	-123	-129
C.F - Investment	-22,891	-26,145	-32,141	-35,065	-36,340
Issue of equity	-	-	-	-	-
Issue/repay debt	668	853	15,006	1,500	1,500
Dividends paid	-7,107	-7,248	-7,419	-7,613	-7,710
Other finance.CF	-12,733	-14,822	-15,832	1,611	2,149
C.F - Finance	-19,172	-21,217	-8,246	-4,502	-4,061
Chg. in cash	-274	-210	398	382	1,159
Closing Cash	4,458	4,949	6,847	7,230	8,389

Balance Sheet

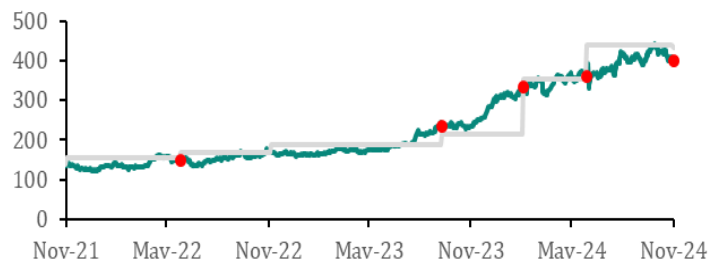
Y.E March (Rs. Cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	4,458	4,949	6,847	7,230	8,389
Accts. Receivable	27,971	30,112	33,350	33,870	35,128
Inventories	10,139	14,240	18,019	18,732	20,167
Other Cur. Assets	28,902	33,759	39,793	39,980	40,677
Investments	10,626	13,885	15,835	15,966	16,045
Gross Fixed Assets	308,125	338,436	369,252	404,063	440,196
Net Fixed Assets	224,344	239,883	258,424	275,029	291,709
CWIP	91,025	89,133	87,593	88,469	89,353
Intangible Assets	680	588	581	581	581
Def. Tax -Net	-	-	-	-	-
Other Assets	18,451	21,365	19,755	19,877	20,006
Total Assets	416,596	447,913	480,197	499,735	522,056
Current Liabilities	51,266	56,166	57,530	59,362	61,303
Provisions	1,655	1,920	2,084	2,084	2,084
Debt Funds	211,578	223,571	237,418	238,918	240,418
Other Liabilities	12,963	15,302	18,042	19,653	21,802
Equity Capital	9,697	9,697	9,697	9,697	9,697
Res. & Surplus	125,677	137,327	151,013	165,274	181,578
Shareholder Funds	135,374	147,023	160,709	174,971	191,274
Minority Interest	-	-	-	-	-
Total Liabilities	416,596	447,913	480,197	499,735	522,056
BVPS	140	152	166	180	197

Ratio




Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	32.1	28.1	30.1	30.4	30.6
EBIT margin (%)	21.7	19.7	21.0	21.2	21.4
Net profit mgn.(%)	12.6	9.6	11.7	11.6	12.0
ROE (%)	12.3	11.5	13.0	12.5	12.6
ROCE (%)	8.3	9.4	9.4	9.6	9.9
W.C & Liquidity					
Receivables (days)	77.0	62.4	68.2	65.7	63.9
Inventory (days)	53.1	51.6	66.9	66.1	66.4
Payables (days)	59.0	41.2	42.1	46.2	46.9
Current ratio (x)	0.9	0.9	1.0	1.0	1.0
Quick ratio (x)	0.4	0.4	0.4	0.4	0.4
Turnover & Leverage					
Gross asset T.O (x)	0.5	0.5	0.5	0.5	0.5
Total asset T.O (x)	0.3	0.4	0.4	0.4	0.4
Int. covge. ratio (x)	3.1	3.1	3.1	3.1	3.3
Adj. debt/equity (x)	1.5	1.5	1.4	1.3	1.2
Valuation					
EV/Sales (x)	2.5	2.2	3.1	3.3	3.1
EV/EBITDA (x)	7.9	7.8	10.3	10.9	10.1
P/E (x)	7.8	10.0	15.7	17.9	16.3
P/BV (x)	1.0	1.2	2.0	2.2	2.0



Recommendation Summary - last 3 years



Dates	Rating	Target
23-Jun-21	BUY	140
3-Nov-21	BUY	156
30-May-22	HOLD	167
8-Nov-22	HOLD	187
12-Sep-23	REDUCE	215
6-Feb-24	HOLD	355
31-May-24	BUY	440
5-Nov-24	HOLD	434

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			
Definition:			
Buy: Acquire at Current Market Price -CMP, with the target mentioned in the research note; Accumulate: Partial buying or to accumulate as CMP dips in the future; Hold: Hold the stock with the expected target mentioned in the note.; Reduce: Reduce your exposure to the stock due to limited upside.; Sell: Exit from the stock; Not rated/Neutral: The analyst has no investment opinion on the stock.			
Symbols definition:			
	Upgrade		No Change
			Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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