

## 1QFY25: Slow & silent on RE; Thermal to drive growth

Revenue for 1QFY25 stood at INR 485bn, +13%/ +2%/ +9%/ +5% YoY/ QoQ/ JMFe/ Cons due to 11% higher generation. The EBITDA came in at INR 140bn, +9%/ -1%/ +6%/ +2% YoY/ QoQ/ JMFe/ Cons. The adj. PAT came in at INR 55bn, +12%/ -15%/ +4%/ +4% YoY/ QoQ/ JMFe/ Cons. The plant load factor (PLF) for coal-fired plants stood at 80.39% v/s national average of 76.19% driven by higher energy/peak power demand (10%/11.5%). Given the revival in margin-accretive thermal capex (26GW capacity addition by FY32) and momentum in new growth areas viz. nuclear power (allotted 2.8GW) and coal mining (86MTPA capacity), we maintain our BUY rating on the stock with a revised TP of INR 451 valuing at 3x FY26E Regulated Equity of thermal business and 12x FY26E EBITDA of RE business.

- Renewable power:** During 1QFY25, it added a mere 90MW of solar power capacity at Anta, Rajasthan. Earlier, NTPC installed 324MW of renewable projects in FY24. With this it has an installed RE capacity of 3618MW with another 9.2GW under construction and a visible RE pipeline of 24GW by FY32. The company plans to add 16GW of RE capacity in next 3 years (3GW/ 5GW/ 8GW during FY25/ FY26/ FY27). The management, in its Investor/Analyst Meet remained constrained in sharing its strategy and execution plans for RE given the proposed IPO of NTPC Green Energy Limited (NGEL).
- New thermal capacity addition:** The management has guided for capacity addition of 26GW by FY32, out of which 9.5GW is under construction, 8GW is under tendering (Tender-01: 1x800 MW NTPC Sipta-III, 1x800 MW NTPC Darlipali-II; Tender-02: 3x800 MW NTPC Meja-II, Tender-03: 3x660 MW NTPC Nabinagar TPS, 2x800MW Gadawara St-II, 3x800 MW NTPC Telangana Ph-II) and 8.5GW is soon to be tendered. The company is confident or ordering all the projects within next 1 months.
- Project execution:** NTPC has under construction capacity of 21GW (Coal/Hydro/RE 9.5GW/2.3GW/9.2GW). Current thermal tenders are not attracting vendors except BHEL due to prolonged down cycle. The company is in touch with other industry players like L&T in addition to exploring other avenues like de-packaging of EPC projects to increase participation. The management believes that it has first-mover advantage in the new thermal capex cycle which will help them commission the projects early vs. the State GenCos' projects. It expects to commission 2.0-2.5GW of thermal power capacity in next 4 quarters and 7GW in 3 years. Additionally, two units of 4x250MW of Tehri pumpedhydro storage (a 74.496% subsidiary of NTPC) are expected to commission within a fortnight.
- Installed Capacity:** NTPC's installed capacity as of 30Jun'24 stands at 76,048 MW (59,168MW standalone, 16,880MW JVs & subs) which includes 62,194MW/6,511MW/ 3,725MW/ 3,618MW of Coal/Gas/Hydro/RE.

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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	451
Upside/(Downside)	14.5%
Previous Price Target	414
Change	9.0%

### Key Data – NTPC IN

Current Market Price	INR394
Market cap (bn)	INR3,819.5/US\$45.6
Free Float	43%
Shares in issue (mn)	9,696.7
Diluted share (mn)	9,696.7
3-mon avg daily val (mn)	INR7,184.1/US\$85.8
52-week range	408/210
Sensex/Nifty	81,356/24,836
INR/US\$	83.7

### Price Performance

%	1M	6M	12M
Absolute	4.1	21.4	87.6
Relative*	1.1	6.1	52.5

\* To the BSE Sensex

Financial Summary	(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	13,26,693	17,62,072	17,85,009	19,98,821	21,57,340
Sales Growth (%)	19.0	32.8	1.3	12.0	7.9
EBITDA	4,02,796	4,77,299	5,10,927	5,76,644	6,39,707
EBITDA Margin (%)	30.4	27.1	28.6	28.8	29.7
Adjusted Net Profit	1,69,603	1,71,214	2,13,325	2,29,073	2,54,582
Diluted EPS (INR)	17.5	17.7	22.0	23.6	26.3
Diluted EPS Growth (%)	2.9	0.9	24.6	7.4	11.1
ROIC (%)	6.7	7.1	7.1	7.7	8.0
ROE (%)	13.0	12.1	13.9	13.7	13.9
P/E (x)	22.5	22.3	17.9	16.7	15.0
P/B (x)	2.8	2.6	2.4	2.2	2.0
EV/EBITDA (x)	14.0	12.6	12.0	10.7	9.9
Dividend Yield (%)	1.9	1.9	2.3	2.5	2.8

Source: Company data, JM Financial. Note: Valuations as of 29/Jul/2024

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.

- **Nuclear power:** The JV of NTPC and NPCIL to develop two Pressurized Heavy-Water Reactor (PHWR) projects with the capacity of 2.8GW (2X700MW Chutka Madhya Pradesh Atomic Power Project and 4X700MW Mahi Banswara Rajasthan Atomic Power Project) and a cost of INR 420bn is under active consideration for award. It is likely to do ground breaking for Mahi Banswara within 2 months. The company is in discussion with many states to set up new nuclear power plants. NTPC is also exploring Small Modular Reactor technology in collaboration with Bhabha Atomic Research Centre (BARC).
- **Coal production:** NTPC recorded 9.6MT of coal production during 1QFY22 (+54% YoY) from five captive mines i.e. Pakri-Barwadiah, Dulanga, Talaipalli, Chatti-Bariatu and Kerandari. Earlier, it did an annual production of 34 MT in FY24, +48% YoY. The company plans to achieve minimum of 25% of its coal requirement through captive mines by FY30.
- **Non-Coal PLF:** 1QFY25 has seen revival in plant load factor (PLF) of gas and hydro segments. PLF of gas in 1QFY25 stood at 23.79% v/s 10.1% in 1QFY24, PLF for hydro in 1QFY25 stood at 57.36% v/s 39.6% in 1QFY24.
- **Miscellaneous**
  - Company is likely to incur a capex of INR 7tn by FY32
  - There is no resistance to signing of new PPAs for thermal power projects
  - Current capex for a thermal power project is INR 100-110mn/MW
  - As all the projects are brown field and closer to the mines, Management expects tariff of INR 3.0-5.0/kWh
  - Gas-fired power generation is still expensive. It is primarily used for 'crunch' periods.
  - Thermal power plants can go up to the technical minimum of 55%PLF
  - Carbon tax in some form is imminent
  - Both peak load demand and energy requirement are expected to rise at a healthy pace
  - Subsidiaries (NEEPCO and THDC) are likely to execute non-fossil capacity of 12GW by FY30 (estimated capitalisation INR 750bn)
  - FGD Commissioning: 54 GW to in next 3 years (est. Capitalisation INR 270bn)
  - Trade receivables: Reducing due to LPS scheme (58days/31days in FY20/FY24)

## 1QFY25 Results Summary

### Exhibit 1. 1QFY25 Results summary

Y/E March (INR mn)	1QFY25	1QFY24	%YoY	4QFY24	%QoQ	JMFe	% Var
Generation (BUs)	97.9	88.5	11%	93.4	5%	-	-
Net Sales	485,206	430,751	13%	476,221	2%	443,673	9%
Expenditure	345,041	302,200	14%	334,268	3%	311,000	11%
EBITDA	140,165	128,551	9%	141,952	-1%	132,674	6%
EBITDA (%)	28.9	29.8	-96bps	29.8	-92bps	29.9	-102bps
Depreciation	42,042	38,213	10%	42,708	-2%	40,296	
EBIT	98,123	90,339	9%	99,245	-1%	92,378	6%
Other income	4,611	3,149	46%	11,945	-61%	4,000	15%
Interest	31,359	29,224	7%	29,553	6%	30,028	
Share of income in Asso.	7,340	6,791	8%	2,114	247%	4,089	79%
<b>PBT</b>	<b>78,715</b>	<b>71,055</b>	<b>11%</b>	<b>83,751</b>	<b>-6%</b>	<b>70,439</b>	<b>12%</b>
Tax	17,782	17,541	1%	16,737	6%	17,610	
Tax rate (%)	23	25	-210bps	20	261bps	25	
Reg def (net of tax)	-5,872	-4,443	32%	-2,114	178%	0	
<b>Reported PAT</b>	<b>55,061</b>	<b>49,071</b>	<b>12%</b>	<b>64,901</b>	<b>-15%</b>	<b>52,829</b>	
<b>PAT (adjusted)</b>	<b>55,061</b>	<b>49,071</b>	<b>12%</b>	<b>64,901</b>	<b>-15%</b>	<b>52,829</b>	<b>4%</b>
<b>EPS (Rs)</b>	<b>5.7</b>	<b>5.1</b>	<b>12%</b>	<b>6.7</b>	<b>-15%</b>	<b>5.4</b>	<b>4%</b>

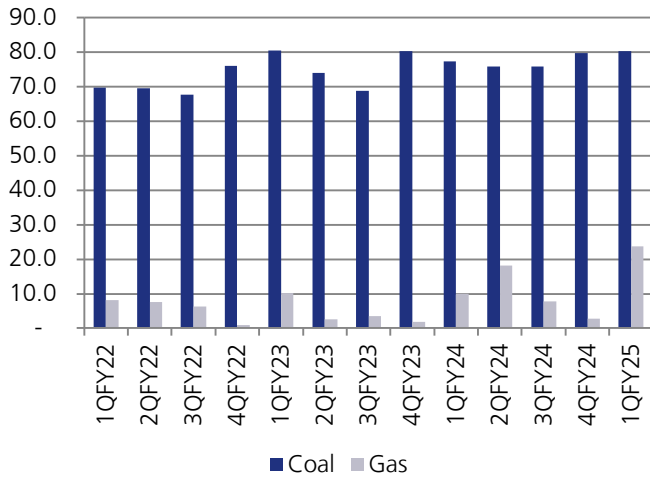
  

Cost-break up	1QFY25	1QFY24	%YoY	4QFY24	%QoQ	JMFe	
Raw material Costs	292,856	257,338	14%	265,186	10%	252,894	16%
% of sales	60%	60%	62bps	56%	467bps	57%	336bps
RM/MU	3.0	2.9	3%	2.8	5%		
Staff Costs	16,297	15,887	3%	18,568	-12%	16,376	
% of sales	3%	4%	-33bps	4%	-54bps	4%	-33bps
Other Expenses	35,887	28,975	24%	50,514	-29%	41,730	
% of sales	7%	7%	67bps	11%	-321bps	9%	-201bps

Source: Company, JM Financial

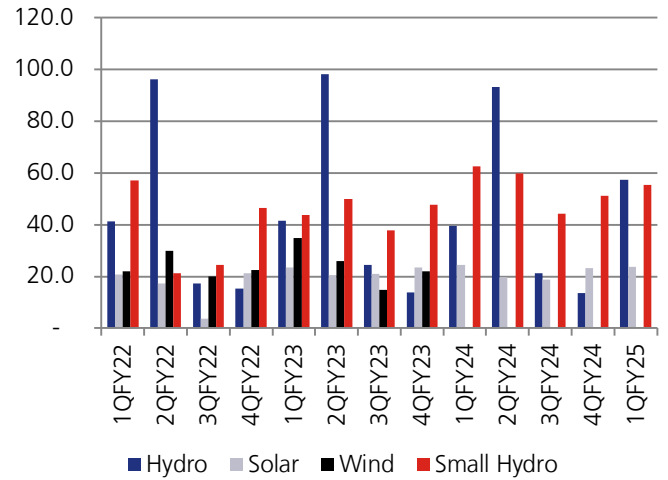
## Key Charts

**Exhibit 1. PLF (%) – fossil fuel-based generation**



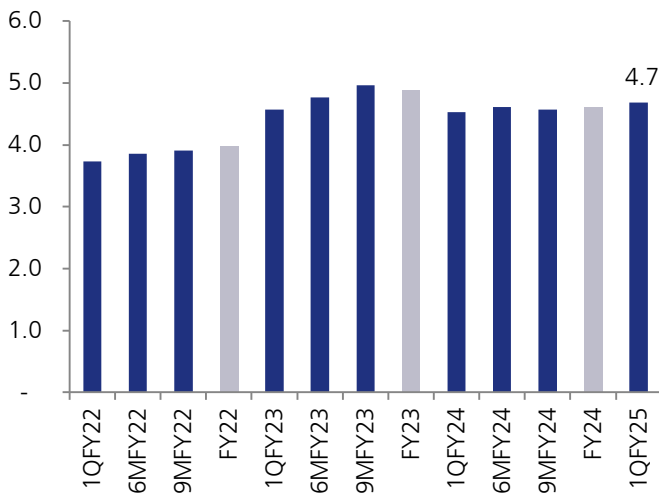
Source: Company, JM Financial

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



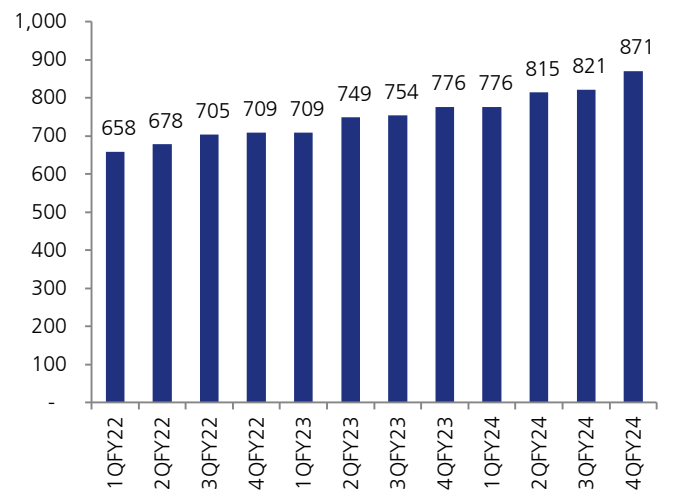
Source: Company, JM Financial

**Exhibit 3. Average tariff (INR)**



Source: Company, JM Financial

**Exhibit 4. Standalone regulated equity (INR bn)**



Source: Company, JM Financial

## Valuation

**Exhibit 5. SOTP Valuation**

Particulars	Rationale	Multiple (x)	Equity Value (INR mn)	Value per Share
Thermal	FY 26E Consolidated Regulated Equity	3.0	36,20,583	373
Renewable	FY 26E EV/EBITDA	12	2,81,265	29
CWIP	FY 26E BV	1	2,22,989	23
Cash & Cash Equivalent	FY26 BV	1	2,49,372	26
<b>Total</b>			<b>43,74,209</b>	<b>451</b>
CMP				394

Source: Company, JM Financial

**Exhibit 6. Operational performance, quarterly**

Particulars	1QFY25	1QFY24	YoY%
Coal PLF (%)	80.4	77.4	4%
Coal PAF (%)	92.9	96.5	-4%
Generation (BU)			
Gross Generation (BU)	97.9	88.5	11%
Commercial Generation (BU)	97.9	88.3	11%
Energy Sent out (BU)	91.3	82.3	11%
<b>Coal availability (MMT)</b>			
Domestic Coal	62.6	55.6	13%
Imported Coal	0.9	2.5	-64%
Captive mines - commercial coal production	9.6	6.2	54%

Source: Company, JM Financial

## Valuation Bands

**Exhibit 7. P/B**



Source: Bloomberg, JM Financial

**Exhibit 8. EV/EBITDA**



Source: Bloomberg, JM Financial

## Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Sales	13,26,693	17,62,072	17,85,009	19,98,821	21,57,340	
Sales Growth	19.0%	32.8%	1.3%	12.0%	7.9%	
Other Operating Income	0	0	0	0	0	
<b>Total Revenue</b>	<b>13,26,693</b>	<b>17,62,072</b>	<b>17,85,009</b>	<b>19,98,821</b>	<b>21,57,340</b>	
Cost of Goods Sold/Op. Exp	7,53,377	10,59,807	10,39,948	11,82,701	12,62,158	
Personnel Cost	63,101	65,283	65,920	73,158	76,450	
Other Expenses	1,07,420	1,59,682	1,68,214	1,66,317	1,79,025	
<b>EBITDA</b>	<b>4,02,796</b>	<b>4,77,299</b>	<b>5,10,927</b>	<b>5,76,644</b>	<b>6,39,707</b>	
EBITDA Margin	30.4%	27.1%	28.6%	28.8%	29.7%	
EBITDA Growth	18.6%	18.5%	7.0%	12.9%	10.9%	
Deprn. & Amort.	1,37,878	1,47,923	1,62,036	1,64,433	1,83,049	
EBIT	2,64,917	3,29,377	3,48,891	4,12,211	4,56,659	
Other Income	23,250	17,692	26,650	18,000	18,000	
Finance Cost	93,160	1,11,561	1,20,482	1,45,270	1,53,862	
PBT before Excep. & Forex	1,95,008	2,35,508	2,55,059	2,84,941	3,20,797	
Excep. & Forex Inc./Loss(-)	14,865	-4,131	10,002	10,002	10,002	
PBT	2,09,873	2,31,377	2,65,061	2,94,943	3,30,799	
Taxes	50,471	67,961	68,092	82,226	92,573	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	13,045	9,886	21,562	21,562	21,562	
Reported Net Profit	1,66,759	1,69,126	2,08,119	2,23,867	2,49,376	
<b>Adjusted Net Profit</b>	<b>1,69,603</b>	<b>1,71,214</b>	<b>2,13,325</b>	<b>2,29,073</b>	<b>2,54,582</b>	
Net Margin	12.8%	9.7%	12.0%	11.5%	11.8%	
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>22.0</b>	<b>23.6</b>	<b>26.3</b>	
Diluted EPS Growth	2.9%	0.9%	24.6%	7.4%	11.1%	
Total Dividend + Tax	71,069	71,910	89,596	96,211	1,06,924	
Dividend Per Share (INR)	7.3	7.4	9.2	9.9	11.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Shareholders' Fund	13,53,737	14,70,232	16,07,093	17,46,569	19,04,940	
Share Capital	96,967	96,967	96,967	96,967	96,967	
Reserves & Surplus	12,56,771	13,73,265	15,10,126	16,49,603	18,07,974	
Preference Share Capital	0	0	0	0	0	
Minority Interest	37,604	39,305	44,130	44,130	44,130	
Total Loans	18,29,185	22,10,924	23,50,403	24,21,166	25,64,364	
Def. Tax Liab. / Assets (-)	1,09,517	1,26,900	1,52,318	1,52,318	1,52,318	
<b>Total - Equity &amp; Liab.</b>	<b>33,30,043</b>	<b>38,47,360</b>	<b>41,53,944</b>	<b>43,64,184</b>	<b>46,65,753</b>	
Net Fixed Assets	31,53,690	32,96,034	34,65,981	36,68,962	39,38,716	
Gross Fixed Assets	30,81,252	33,89,981	37,37,110	41,60,196	46,90,674	
Intangible Assets	0	0	0	0	0	
Less: Deprn. & Amort.	8,37,814	9,85,737	11,47,773	13,12,206	14,95,255	
Capital WIP	9,10,252	8,91,790	8,76,645	8,20,973	7,43,296	
Investments	1,13,066	1,38,848	1,58,346	1,58,346	1,58,346	
Current Assets	8,98,412	10,44,250	11,77,639	12,20,676	12,64,218	
Inventories	1,01,393	1,42,404	1,80,191	1,58,810	1,71,405	
Sundry Debtors	2,73,421	3,01,124	3,33,497	3,55,954	3,84,184	
Cash & Bank Balances	44,581	49,485	68,473	1,10,434	1,13,151	
Loans & Advances	0	0	0	0	0	
Other Current Assets	4,79,018	5,51,237	5,95,478	5,95,478	5,95,478	
Current Liab. & Prov.	8,35,124	6,31,773	6,48,022	6,83,800	6,95,526	
Current Liabilities	1,59,190	1,64,471	1,65,262	2,01,041	2,12,767	
Provisions & Others	6,75,934	4,67,302	4,82,759	4,82,759	4,82,759	
Net Current Assets	63,288	4,12,478	5,29,618	5,36,876	5,68,691	
<b>Total - Assets</b>	<b>33,30,043</b>	<b>38,47,360</b>	<b>41,53,944</b>	<b>43,64,184</b>	<b>46,65,753</b>	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Profit before Tax	2,23,114	2,38,248	2,83,558	2,96,994	3,32,849	
Deprn. & Amort.	1,37,878	1,47,923	1,62,036	1,64,433	1,83,049	
Net Interest Exp. / Inc. (-)	79,466	1,10,921	1,19,548	1,45,270	1,53,862	
Inc (-) / Dec in WCap.	19,141	4,553	-93,368	76,375	16,926	
Others	-20,986	10,630	-27,500	-18,000	-18,000	
Taxes Paid	-20,731	-40,757	-36,429	-82,226	-92,573	
<b>Operating Cash Flow</b>	<b>4,17,882</b>	<b>4,71,518</b>	<b>4,07,846</b>	<b>5,82,845</b>	<b>5,76,113</b>	
Capex	-2,43,309	-2,47,202	-3,07,413	-3,67,414	-4,52,802	
Free Cash Flow	1,74,573	2,24,316	1,00,433	2,15,431	1,23,310	
Inc (-) / Dec in Investments	5,000	-8,952	-1,694	0	0	
Others	9,927	-5,297	-12,307	0	0	
<b>Investing Cash Flow</b>	<b>-2,28,382</b>	<b>-2,61,451</b>	<b>-3,21,414</b>	<b>-3,67,414</b>	<b>-4,52,802</b>	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-71,069	-72,479	-74,194	-96,211	-1,06,924	
Inc / Dec (-) in Loans	7,234	10,835	1,51,366	70,763	1,43,198	
Others	-1,27,880	-1,50,524	-1,59,627	-1,48,023	-1,56,867	
<b>Financing Cash Flow</b>	<b>-1,91,716</b>	<b>-2,12,168</b>	<b>-82,455</b>	<b>-1,73,471</b>	<b>-1,20,593</b>	
<b>Inc / Dec (-) in Cash</b>	<b>-2,216</b>	<b>-2,101</b>	<b>3,977</b>	<b>41,960</b>	<b>2,717</b>	
Opening Cash Balance	46,797	51,587	64,496	68,473	1,10,434	
Closing Cash Balance	44,581	49,485	68,473	1,10,434	1,13,151	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Margin	12.8%	9.7%	12.0%	11.5%	11.8%	
Asset Turnover (x)	0.3	0.4	0.4	0.4	0.4	
Leverage Factor (x)	3.1	3.1	3.0	2.9	2.9	
RoE	13.0%	12.1%	13.9%	13.7%	13.9%	

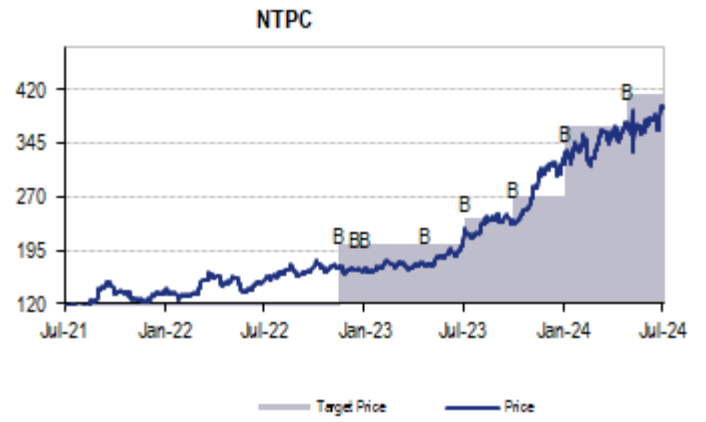
Key Ratios						
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
BV/Share (INR)	139.6	151.6	165.7	180.1	196.5	
ROIC	6.7%	7.1%	7.1%	7.7%	8.0%	
ROE	13.0%	12.1%	13.9%	13.7%	13.9%	
Net Debt/Equity (x)	1.3	1.5	1.4	1.3	1.3	
P/E (x)	22.5	22.3	17.9	16.7	15.0	
P/B (x)	2.8	2.6	2.4	2.2	2.0	
EV/EBITDA (x)	14.0	12.6	12.0	10.7	9.9	
EV/Sales (x)	4.3	3.4	3.4	3.1	2.9	
Debtor days	75	62	68	65	65	
Inventory days	28	29	37	29	29	
Creditor days	45	32	32	38	38	

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
30-Jan-24	Buy	368	36.5
26-May-24	Buy	414	12.4

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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Definition of ratings	
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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